Austria	Sch 15	Italy	L 1100	Portugal	Esc 65
Bahrain	Din 0.650	Japan	Y560	S. Arabia	Rls 6.00
Belgium	BFr 35	Jordan	Fils 500	Singapore	S$4.10
Canada	C$1.50	Kuwait	Fils 500	Spain	Pta 95
Denmark	DKr 7.00	Lebanon	LL 6.00	Sri Lanka	Rup 30
Egypt	[illegible]	Luxembourg	LFr 35	Sweden	Skr 5.50
Finland	Fmk 5.00	Malaysia	Ring 4.25	Switzerland	SwFr 2
France	FFr 5.00	Mexico	Pes 300	Taiwan	[illegible]
Germany	DM 2.00	Morocco	Dh 6.00	Tunisia	Din 0.600
Greece	Dr 60	Netherlands	Fl 2.75	Turkey	[illegible]
India	Rup 15	Norway	Nkr 6.00	U.A.E.	Dh 6.50
Indonesia	Rp 2500	Philippines	Pes 20	U.S.A.	$1.50

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,081 Tuesday May 24 1983

A long haul ahead for Mexico, Page 16

NEWS SUMMARY

GENERAL

New aid policy problems in U.S.

New controversy has arisen in the U.S. over the Reagan Administration's Central American policies.

The issue concerns intelligence studies reportedly given to Congress committees that the Sandinista Government of Nicaragua could be overthrown by right-wing rebels by the end of the year.

However, under the Boland amendment of December, the U.S. Government is prohibited from indulging in activities to assist an overthrow of the Nicaraguan regime. Many U.S. Congressmen are sceptical about the prospects of success for the 7,000 rebels, in any case.

The White House has again denied any intention of sending troops to El Salvador. Page 4

Bombs in Corsica

At least 40 bombs, believed to have been planted by separatists, exploded in Corisca. One man, believed to have been securing a bomb underneath a car, was seriously injured.

In Burgos, Spain, two bombs damaged telephone installations.

Abadan evacuation

Almost 90 per cent of the 600,000 population of Iranian oil port Abadan had been driven out by Iraqi attacks, said the Iranian national news agency.

Archbishop released

The Maronite Archbishop of Tyre, who had been kidnapped by Druze Moslem gunmen when travelling in a car near Khalde, was released after pleas from Lebanon's President Amin Gemayel.

Flood deaths

Floods that have killed at least 23 people in Brazil began receding. High waters forced 5,000 from their homes in Jackson, Mississippi. Torrential rain flooded areas of eastern Australia that last month were suffering their worst drought of the century. At least eight and possibly 12 people were killed when a torrent of mud and water engulfed north Italy mountain village Tresenda. Lightning killed eight people sheltering under a tree at Neckenmarkt, Austria.

Ex-Premier refugee

Nguyen Van Loc, Premier of South Vietnam in 1967–68, arrived in Singapore with 32 other boat people.

Afghan merger

Seven groups of Afghan freedom fighters agreed on a merger for two years.

Czechs to be freed

Unita guerrillas in Angola say they will soon free 21 women and children among the 64 Czechoslovaks they took hostage in March.

Raid shelter hotels

China has converted old air-raid shelters into hotels with beds for 60,000.

Prisoners sunbathe

An Arab terrorist, a four-times killer, four Irish Republican Army men and a robber sunbathed on the roof of Albany Prison, Isle of Wight, England, on the fourth day of a prisnners' protest in which a reported £1m ($1.56m) of damage has been caused.

Briefly . . .

Balcony collapse killed at least 13 people at a wedding in Uttar Pradesh, north India.

Egyptian newspaper Al-Ahram plans to launch a London edition on October 1.

BUSINESS

World Bank 'needs new cash'

● WORLD BANK President Tom Clausen said in Tokyo that the bank needed a boost in its funds because China, a member since 1980, would be eligible to ask for almost interest-free loans next year. He said the bank was looking to Japan to increase its contribution to reserves.

● SUGAR reached two-year highs in London because of fears about the rain-hit European beet crop. The London daily price was fixed £14 higher at £160 ($249) a tonne. Page 37

● LONDON: FT Industrial Ordinary index fell 2.8 to 692.4. Some Government securities showed marginal falls. Page 33. FT Share Information Service, Pages 38, 39

● WALL STREET: Dow Jones index closed 10.54 up at 1,200.56. Page 33. Full share listings, Pages 34–36

● TOKYO: Nikkei Dow index fell 32.81 to 8,528.64. Stock Exchange index dropped 2.7 to 629.03. Report, Page 33. Leading prices, other exchanges, Page 36

● DOLLAR rose to DM 2.487 (DM 2.4765), FFr 7.4725 (FFr 7.43), SwFr 2.0815 (SwFr 2.074) and Y235.75 (Y233.9). Its Bank of England trade-weighted index rose from 122.8 to 123.4. In New York, it closed at DM 2.4787; FFr 7.434; SwFr 2.073; Y234.85. Page 40.

● STERLING was unchanged at $1.556, and rose to DM 3.87 (DM 3.8525), FFr 11.625 (FFr 11.56), SwFr 3.24 (SwFr 3.2275) and Y367 (Y364). Its trade weighted rose from 84.1 to 84.3. In New York, it closed at $1.5695. Page 40

● GOLD fell $6 in London to $433.5. Other European markets were closed for the Whitsun holiday. In New York, the Comex May settlement was $438.4 ($437.2). Page 37

● NICARAGUA has asked commercial bank creditors for payments of about $100m due in the *next year to be deferred.* Page 4

● NEW ZEALAND'S wage and price freeze, imposed in July, will continue until February, said Premier Robert Muldoon.

● AUSTRALIA'S employers rejected union claims for inflation-linked pay rises when a six-month freeze ends after June.

● MALAYSIA signed an agreement with Japan's Mitsubishi group for a $445m national car project. Page 6

● PHILIPPINES: Construction of an $800m steel complex by a group led by Davy McKee of the UK and Japan's Marubeni has been further delayed by government failure to raise its share of the finance. Page 18

● AUSTRALIA and New Zealand Banking group reported net profits for the half ended March 12.5 per cent up at A$100.3m ($88.3m). Page 20

● BANK OF BOSTON is to buy Phillips Petroleum's mortgage banking subsidiary Stockton, Whatley, Davin for about $120m. Page 19

● DIAMOND SHAMROCK, the Dallas-based oil group, has launched a $1.34bn offer for Natomas of San Francisco, energy and shipping group. Page 18

South Africans raid Maputo in reprisal for Pretoria bomb

BY J. D. F. JONES IN JOHANNESBURG AND QUENTIN PEEL IN LONDON

SOUTH AFRICA yesterday launched an air raid on a suburb of the Mozambique capital, Maputo, in retaliation for last Friday's car bomb in central Pretoria. Five people were reported killed and 24 wounded.

General Magnus Malan, the South African Minister of Defence, said the raid was aimed at seven targets, including bases of the outlawed African National Congress (ANC), which has claimed responsibility for the Pretoria bombing. However, the ANC denied that any such bases exist.

The car bombing, which left 18 people dead and 217 injured, and yesterday's retaliation represent a sharp escalation in the violent confrontation in Southern Africa. There were immediate expressions of concern and condemnation in the international community.

Mr Francis Pym, the UK Foreign Secretary, said he was shocked to hear of the South African attacks on Mozambique, and he deplored this violation of Mozambique's sovereignty. "I condemn these actions, just as I condemn the violence in Pretoria on Friday," he said. "The problems of Southern Africa cannot be solved by violence."

In Washington, the U.S. State Department deplored the renewed violence in Southern Africa, saying that neither the Pretoria bombing nor the Maputo raid were justified. It said that Washington was in touch with governments in the region to see what it could do to renew progress towards peace and stability there.

In New York, Sr Javier Pérez de Cuellar, the United Nations secretary general, expressed his "great regret" at the serious events and "the loss of innocent life." France also issued a statement deploring the incidents.

According to eyewitness reports from Maputo, South African aircraft bombed and strafed civilian and industrial targets in Matola, on the outskirts of the capital. The dead included three Mozambicans working in a factory, a six-year-old child, and a black South African.

A report by the Mozambique news agency said the attack took place at the height of the early-morning rush hour in Maputo, and some houses were totally destroyed. It said the targets appeared to be a road bridge over the river Matola, carrying the main road to South Africa and Swaziland; the residential areas of Fomento and Liberdade, and the industrial area at the centre of Matola.

General Malan told parliament in Cape Town that six ANC targets had been attacked. He added that a Mozambique missile system which was sited to protect the ANC positions had been "effectively neutralised."

Yesterday's formal claim of responsibility by the ANC for the Pretoria bombing reflects a clear change in its military strategy, showing that it is prepared to inflict civilian casualties in its attempts to overthrow white rule.

South Africa's immediate response in using its overwhelming air superiority across its borders suggests a willingness on its part to take massive punitive measures, instead of launching precision sabotage *raids as its has in the past.*

Background to the raid by Pretoria, Page 5

Thatcher sees summit as chance to press U.S. on interest rates

BY PETER RIDDELL AND IVOR OWEN IN LONDON

MRS MARGARET THATCHER, the British Prime Minister, yesterday sought to reduce expectations about the outcome of the world economic summit at Williamsburg in the U.S. this weekend.

She said she expected the seven leaders at the conference would agree that there were some signs of world recovery. There were "signs of slow economic recovery in Britain, the U.S. and West Germany," but she stressed the importance of being cautious.

Mrs Thatcher hoped that countries would come out of the recession together, but she expected the summit to insist upon the continuation of "sound policies."

Mrs Thatcher said at a Conservative Party press conference, held as part of her Government's general election campaign, that Britain would be in a strong position at the summit to press the U.S. to cut its *budget deficits* and make further reductions in interest rates.

She stressed that those governments which had brought their own spending and borrowing under control were more likely to be able to influence the U.S. Administration.

The British Government was "absolutely in the clear" in relation to interest rates, deficits, inflation and public expenditure.

Underlining the importance of interest rates, the Prime Minister hoped that all the nations represented at the summit would talk frankly because there was not the slightest doubt that high U.S. deficits did tend to lead to high U.S. interest rates.

She had no doubt that one of the most important things for economic recovery was to get interest rates down – if they were high they did "abort quite a bit of recovery."

She acknowledged that U.S. interest rates were oow five points below what they were at the time of last year's Versailles summit – "They will quite rightly say they are getting them down."

Mrs Thatcher, who indicated that the outcome of the Williamsburg summit was unlikely to be very different to that held at Versailles, promised that British ministers would put their views without animosity. She made clear that she had no desire to see the U.S. put in the dock.

She refused to be drawn on the possibility of a further fall in bank base rates in Britain before polling day on June 9.

It all depended on what happened in the markets, she said. "The markets at the moment are very quiet and, if I might say so, that is very good. The markets are steady and let us hope that they stay that way."

Last night Mrs Thatcher intensified her party's attacks on the plans of the UK Labour Party, the main opposition party. She said there were at least 47 ways in which the party now intended to limit or destroy freedom.

What Labour wanted to do was "nothing less than to control the daily lives of the British people." In what was clearly intended to be a *new election slogan, she described* the Labour programme for government, which is entitled "The New Hope for Britain", as "The New Rope for Britain."

She listed a number of examples – notably Labour plans for pensions and the banks.

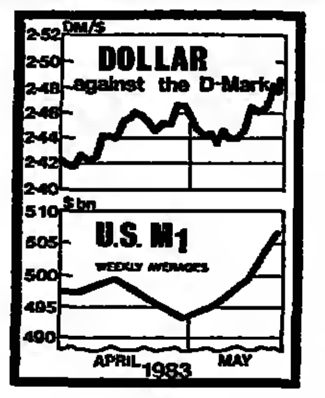
Mrs Thatcher said Labour "went

Continued on Page 18

Election news, Page 7

MITTERRAND PESSIMISTIC

President François Mitterrand has told French journalists *that he expects little to emerge* from the Williamsburg summit this weekend, and, indeed, that he might just as well stay at home. Page 18



$ declines after early gains

By Our Foreign and Financial Staffs

THE DOLLAR rode on a see-saw on the London and New York foreign-exchange markets yesterday. By the end of North American trading last night, the U.S. currency had lost most of the sharp gains seen during earlier trading in London.

Dealers in New York felt there had been some over-reaction in London to the latest $7bn surge in the U.S. money supply, reported oo Friday. They considered that had been boosted as the majority of continental exchanges were closed for the Whit Monday holiday.

In the event, the dollar finished in New York at DM 2.4787, after rising in London by 1.05 pfennigs on the day to close at DM 2.487. Similarly, against the yen the dollar ended at Y234.85 in New York after *advancing* Y1.75 in London to Y235.75.

Sterling rose to $1.5695 by the end of New York trading after having held steady in London at $1.556.

The direction of movement in domestic U.S. rates yesterday was upwards, however. North Carolina's

Continued on Page 18

Lex, Page 18; Money markets, Page 33; Bonds, Page 32

Indonesia needs $2bn aid, says World Bank

BY RICHARD COWPER IN JAKARTA

WESTERN AND international donors will need to come up with "at least" $2bn in aid to help Indonesia to finance an expected current-account deficit in the order of $6.4bn in the 1983-84 fiscal year ending next March, according to a *newly published* report on *the country's* ailing economy.

In its confidantial annual report, made available in Jakarta yesterday, the World Bank says that "continued support for Indonesia from both donors and the international banking community will be critical to the success" of the country's attempts to deal with the worst recession for 50 years.

Indonesia is Asia's largest exporter of oil and oatural gas, and over the last 18 months or so it has been badly affected by the changing international demand and price for crude, which has come to account for almost 70 per cent of its total exports.

Delegates from 12 industrialised nations and five international agencies will study the World Bank's analysis and recommendations before making their annual aid pledge to Indonesia in The Hague on June 13.

In particular the bank singles out the 27.5 per cent devaluation of the rupiah oo March 30 and this month's decision to reassess the country's massive public investment programme. Many economists now believe that up to $20bn in capital projects could be delayed, postponed or axed as a result.

The bank goes on to paint an extremely gloomy picture of the country's economy. In what will undoubtedly come as a shock to many Indonesian officials and foreign economists, the bank says that real economic growth last year was flat in 1981 prices and that income per capita declined for the first time for more than 15 years.

Poverty levels in many parts of Indonesia undoubtedly increased considerably: "Many households outside Java suffered large reductions in their incomes," says the bank.

The short to mid-term outlook provides little more cause for optimism. Net oil and LNG (liquefied natural gas) earnings are expected to decline by a further $1bn in 1983-84 and the country will register a balance-of-payments deficit of the order of *$6.5bn – four times* the "maximum sustainable level" measured as a percentage of GNP, accordiog to the bank.

The bank forecasts that Indonesia will require a total of $21bn of foreign exchange to finance its current-account deficit, and to meet amortisatioo and interest bills in the three years from 1983 to 1985.

The country's debt service ratio as a percentage of net exports rose to 22 per cent last year, and with a doubling of foreign commercial borrowing expected this year it is likely to rise to at least 26 per cent.

The bank is clearly impressed that the Indonesian government *now has the macro-economy under* control.

However, in its report the bank is understandably concerned at the onset of what now appears to be a prolonged period of low growth rates, which a country of 155m people – many of whom still live well below acceptable levels of poverty – can ill afford.

Feature, Page 5; LPG agreement, Page 6

Paris launches body to raise steel funds

BY PAUL BETTS IN PARIS

THE FRENCH Government has established a new agency to raise funds on the financial markets to support the country's troubled steel sector.

Called Fonds d'Intervention Sidérurgique, the new steel intervention fund will help France's two largest steel companies, Usinor and Sacilor, to raise additional capital to finance their share of the restructuring and recovery plan of the French steel industry.

The steel plan calls for investments of between FFr 8bn and FFr *9bn ($1.07bn to $1.21bn)* by the Usinor group and a further FFr 8.5bn by Sacilor between 1982 and 1986.

The Government has promised to fund the bulk of these new investments by the two large nationalised steel groups. Sacilor is due to receive about FFr 3.5bn from the state this year, while Usinor is to get about FFr 2.9bn. The two steel groups are thus absorbing a large portion of the FFr 20bn that the Governmant has made available in new capital funds for nationalised industries this year.

But the Government, in the midst of an economic austerity programme and faced with other complex industrial restructuring plans, including at present the restructuring of the chemical sector and of the metals industry, is clearly under pressure to find new ways of financing the voracions financial appetite of the steel sector.

To ease the burden on the Government Treasury, the new agency will borrow money on the domestic market and then lend it to the two big nationalised steel groups. However, the Government will subsidise these loans by keeping interest payments by the two steel companies below 4.6 per cent.

The two steel companies in turn will issue convertible bonds to the steel intervention fund in exchange for the soft loans.

The new intervention fund will enable the two steel groups to raise the necessary money to bridge the gap between their current financial needs *and the capital endowment* funds the Government has already promised them this year. The authorities in Paris felt the two steel companies in their current financial plight would hardly be in a position to raise money on their own in the market. The intervention fund will now do the job for them.

Among the operations which the new mechanism could support is the recently announced deal between Usinor and Peugeot, whereby the antomobile company has agreed to sell its majority interest in the Peugeot-Loire special steels company to Usinor.

The new intervention fund could help raise the necessary funds for Usinor to buy Peugeot's 67 per cent stake in the special steels company. Usinor already owns the other 33 per cent of Peugeot-Loire and wants to assume full ownership of the third-largest French special steels concern to strengthen its position on the domestic market.

Bermuda to police insurance

By John Moore in London

BERMUDA is introducing new methods to police its $5bn insurance market in an effort to prevent trouble arising among the 1,200 insurance companies operating in its business community.

All insurance companies seeking entry to the Bermuda market in future will have to be screened by an Insurers Admissions Committee, which is formed of members of the Bermuda insurance industry and works closely with the Bermuda Government.

This represents a major change in Bermuda's approach to regulation of its insurance market. The changes result from widespread concern about the scandals arising out of the Lloyd's market and the trading difficulties which some groups are experiencing in the Bermuda market.

Until recently it was only insurance groups specialising in liability or indemnity business which had to be scrutinised by the Insurers Admissions Committee. But now all insurance interests, including insurance related groups, will have to have their affairs examined by the committee.

The Bermuda Independent Underwriters Association, representing professional underwriters

Continued on Page 18

Phillips petroleum unit loses $60m, Page 19

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EUROPEAN NEWS

Pym searches for UK election trophy at EEC budget negotiations

BY JOHN WYLES IN BRUSSELS

NEGOTIATIONS between EEC Foreign Ministers on the rebate to be paid on Britain's annual payments to the Community budget have not yet become quite such a fixed point on the calendar as, say, the annual farm price negotiations.

The last week in May is fast becoming a traditional settlement date and Britain's Foreign Minister, Mr Francis Pym, will be earnestly trying today to persuade his colleagues to repeat recent history.

If he manages to secure e rebate today on the UK's 1983 payments to Brussels — and the omens are not particularly favourable — it would be e glittering trophy for the Conservative Party'a re-election cupboard.

In its way, it would be just as valuable as the mould-breaking settlement carried off by Lord Carrington in 1980, which became the model for the agreement negotiated by his successor, Mr Pym in the midst of the Falklands crisis on May 25 last year.

Each negotiation has tried to achieve e sufficient reduction in the UK'a payments to Brussels to tide the Community over until it can crack the enormously difficult problem of achieving a permanent improvement in the balance between the amounts Britain transfers to Brusels and the payments the Community makes to Britain.

Today's negotiation *is* different because the Ministers must now square up to the long-term problem. Next year the Community'a budget revenues will be barely sufficient to meet its spending priorities.

UK'S EEC BUDGET BALANCES (European Currency Units)

	1980	1981	1982
Estimated net payments	1.784bn	2.14bn	1.55bn
Actual net payments	1.512bn	1.419bn	*2.0bn
Refund	1.175bn	1.41bn	†1.127bn
Corrected balance	337m	9m	872.5m

* To be confirmed. † 850m plus an estimated 277.5m from "risk sharing."

The Stuttgart summit—postponed because of the British election until June 17 — will try to lay the ground for negotiations which will both secure sufficient revenues for the Community and bring about a permanent solution to the British budget problem.

Postponement of the summit, which is Mrs Thatcher's absolute deadline for a rebate deal, has undoubtedly taken some of tha pressure off today's negotiations. If there is no agreement, the Ministers will probably meet again on June 13 to try to "pre-cook" a settlement for the summit four days later.

By mid-June there will be no excuse for hesitation by those governments who would prefer to know for certain who will be in residence in Downing Street before they hand back any more money to the UK. If it is a Labour Prime Minister, the rebate issue would still need to be settled but the political context would be totally transformed.

Today's negotiations will be permeated by a classic piece of Eurojargon known as the *trop percu* or overcharge. The term has been coined to lend some dignity to the fact that the continental Europeans were out-negotiated by Lord Carrington in the extremely early hours of May 30, 1980.

The aim of this agreement, although never written down, was to reduce the UK'a net contributions to Brussels in 1980 and 1981 by about two thirds. If there was no agreement on a long term deal, it also provided for a similar rebate last year. But in 1980 everyone was working on European Commission estimates of what Britain's net payments would be for 1980 and 1981.

Lord Carrington succeeded in negotiating a "risk sharing formula" which would have increased the UK's rebate if the Commission had underestimated the volume of its net payments. During that long night his colleagues did not consider the need for a formula to cover the fact that the Commission might be over-estimating Britain's net payments, as indeed proved to be the case.

Thus the Ministers fixed a rebate for the two years of 2.585bn European Currency Units (£1.52bn), or about two thirds of an estimated net contribution of 3.924bn Ecu. In the event, Britain's actual net payments were only 2.931bn Ecu and so France and others have since complained that Britain was about 1bn Ecu better off in those two years than was intended.

Distracted by tha Falklands crisis and under immense pressure to secure agreement, Mr Pym last year conceded the point without ever ecknowledging the actual amount by which Britain might have benefited. He accepted a rebate of 850m Ecu which will be supplemented by another 277.5m Ecu under the risk sharing formua. This is triggered because Britain'a actuel payments last year were around 2bn Ecu rather than the 1.55bn Ecu that was estimeted.

Mr Francis Pym: Negotiating today

If the two thirds reduction had been strictly applied, the total rebate for 1982 would have been about 1.33bn Ecu rather than 1.127bn Ecu. Thus, Mr Pym could argue that the UK received 206m Ecu less in rebate than it should under the two thirds formula.

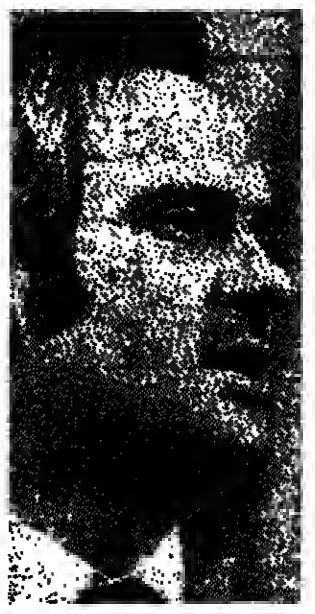
This leaves the question of how much of the *trop percu* remains to be taken into account in the present negotiation. The current estimate of Britain's net payments for this year is around 2bn Ecu. The two thirds formula would yield a rebate of 1.33bn Ecu. This is far higher than the other member states will want, and they will justify whatever offer they make in terms of the *trop percu*.

The most sensible course, which is not necessarily the one they will follow, would be to look at Britain's net payments in 1980-82, add the estimated payment for this year and divide by two thirds. This would yield a total rebate over four years of 4.62bn Ecu.

Under previous agreements, Britain will have received 3.712bn Ecu which means Mr Pym needs a rebate for this year of 908m Ecu if the UK is to have secured a two-thirds reduction in its EEC payments over four years.

It looks relatively easy, but the politicians will not find it so.

Irish IDA has to do more than count jobs



Mr John Bruton: Looking more closely at secondary industry

BY ALAN PIKE, INDUSTRIAL CORRESPONDENT

IRELAND'S Industrial Development Anthority is as active as ever, in spite of the problems facing the Irish economy and the difficulties which development areas throughout Europe have experienced during the recession.

Last year it approved almost 1,000 separate new investment projects or expansions of existing companies. Arrangements agreed during 1982 are estimated to have an eventual job potential of more than 29,000, with about 14,000 of these jobs materialising in the next four or five years.

A total of 85 new companies agreed to establish facilities in Ireland, while 90 overseas companies undertook to expand their existing operations there.

But this is only part of the story, as Mr John Bruton, Ireland's Industry Minister, who made a swift tour around the EEC last week promoting the IDA, is aware.

The list of jobs created or promised, however impressive, has to be viewed against another showing the loss of jobs which the IDA's dynamic marketing efforts have won for Ireland in previous years.

Recent instances have included Black & Decker's decision to close its Kildare plant in July—although the company has said that it will repay IDA grants of more than I£2m (£1.65m) which it has received since the factory opened in 1974. Because of such closures, all the IDA's efforts have recently left a net deficit of jobs in the economy. This is in spite of the fact that last year alone the authority provided support for 120 companies with financial problems, which, it says, saved 8,000 jobs.

Such factors have led to a growing re-examination of the Irish Government's industrial development policies, and the issues are likely to be carried further in a White Paper on industrial policy due to be published in July.

"We have been very successful in getting industry to Ireland—we have attracted big international names—and we are going to continue to be successful," said Mr Bruton in London last week. "But we need to look more closly at areas like the development of secondary, sub-contracting industry and natural resources policy."

There are indications of a growing recognition within the IDA that sheer numbers of jobs created—given the inevitably short-term character of some of them as technology, markets and the priorities of international companies change—cannot be the only element in a successful industrial development policy. Particular efforts are being put into identifying and backing specific growth areas, and into encouraging relatively small scale local industry.

IDA officials point to the fact that the electronic and health care growth areas now account for 45 per cent of Ireland's total manufacturing exports.

Incentives to companies to develop in Ireland remain substantial. They include, in addition to advance factories and advisory services, controlled corporation tax rates to the end of the century, non-repayable cash grants of up to 60 per cent, 100 per cent training grants and research and development grants of up to 50 per cent.

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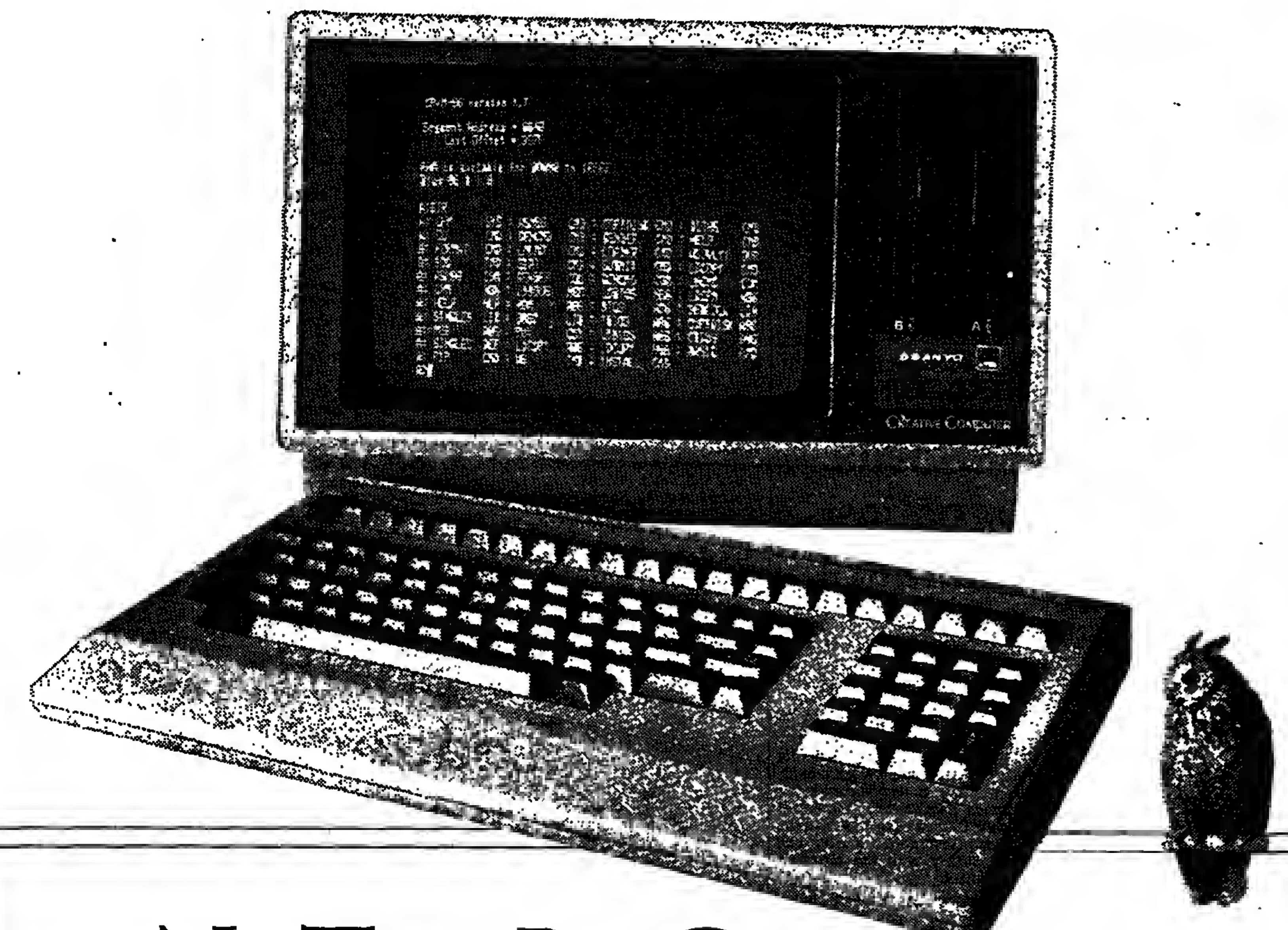


EUROPEAN NEWS

SOVIET EXPLORATION REKINDLES BOUNDARY DISPUTE

Norway ponders oil dilemma

BY FAY GJESTER IN OSLO

THE SOVIET UNION'S recent decision to begin drilling for petroleum in a politically sensitive area of the Barents Sea — on the very edge of the zone over which both the Soviets and Norwegians claim jurisdiction — has created a thorny problem for Norway's Conservative Government.

It came less than a fortnight after a Norwegian consultancy firm had won a contract from the Soviet Union to provide a "master plan" with cost estimates for the exploration and eventual development of several fields in the sea. The contract raised hopes that Norway's oil-related industry might get a lead on foreign competitors if and when the Soviet Union intensifies its search for oil and gas in these strategic waters.

The two events illustrate the Government's dilemma. While it welcomes contracts for Norway'a offshore suppliers in every likely market — including the USSR — it wants these arranged on a purely commercial basis. It has refused, so far, to be drawn into any bilateral, Norwegian-Soviet scheme for exploring the area, even though this might bring a bonus of extra orders for Norwegian companies.

The Soviets, on the other hand, would welcome a deal with Norway which would keep foreign, particularly U.S., companies away from the vicinity of their Kola Peninsula naval bases.

The dispute between Norway and the Soviet Union about their joint Barents Sea boundary began in 1974, when both countries extended their continental shelf boundaries to 200 miles. Norway says the boundary should be defined according to the median line principle — used in determining North Sea sector boundaries — while the Soviets want to use the sector line (a line of longitude). The "grey zone" in between amounts to 155,000 sq km.

Inconclusive talks have been held from time to time, during the past nine years, but the basic disagreement remains.

A temporary pact — renewed every summer — concerning both countries' fishing rights in the "grey zone" has been achieved. This pact, originally concluded under a Labour Government, was strongly criticised by the Conservative opposition.

The present Conservative Government renewed it last year, however, and seems likely to do so again when it expires at the end of next month.

The last boundary talks, in December 1981, were held in Oslo, at Norway's invitation. It is now the Soviets' turn to invite the Norwegian negotiators to Moscow.

Since the Soviets have appeared to be in no hurry to resolve the dispute, the Norwegians have taken the line that they, too, have plenty of time. Their main aim has been to ensure that nothing happens, in these waters, which could prejudice the outcome of an eventual settlement.

This is why the Government was worried when the Soviet drillship Valentin Shashin began an exploration well at the edge of the "grey zone." Initially it reacted by sending a coastguard vessel to patrol nearby, and to observe the drillship's position. After a few days, however, the vessel was withdrawn.

Official statements said the Soviet ship was within the two to three nautical miles margin of error which the Norwegians accept in defining their boundary, so no protest was necessary.

What will the Norwegians do if the Valentin Shashin pulls up its anchor and moves further west, well into the disputed waters? Officials in Oslo assert they will react, but will not go into detail.

Even if it stays east of the disputed area, the ship's activities threaten the status quo. If oil or gas should be found, the discovery could well extend westward, thus greatly complicating future boundary negotiations.

The geology of the area, moreover, is highly promising. Norwegian experts believe there could be petroleum in two separate layers of the Barents Sea bed — in both the Jurassic and the even deeper Triassic strata.

One Conservative member of parliament says there should now be prompt action to resolve the "grey zone" dispute. Mr Steinar Eriksen, Conservative representative for the northern district of Finnmark, has urged the Government to consider refusing renewal of the "grey zone" fisheries agreement, in order to force the Soviets to resume talks.

Portuguese coalition negotiations drag on

BY DIANA SMITH IN LISBON

THE PORTUGUESE parliament reconvenes this week. After delays in publication of the results of the April 25 election that gave 100 of the 250 seats to Sr Mario Soares' Socialists, the deputies can at last take their seats. They and the nation had to wait for a northern constituency of 1,496 voters to forget a boundary dispute long enough to stop destroying ballot papers, cast its vote and allow the final results to be computed.

Although the new parliameot can sit, a caretaker Centre-Right Government led by Sr Francisco Balsemao is limping through the fifth month since the Premier's December resignation, waiting for Sr Soares and the new Social Democrat (PSD) leader, Sr Carlos Mota Pinto, to construct a coalition that would both give a sweeping majority of more than 60 per cent of parliament and, with luck, be solid enough to survive

Because the electorate is losing patience with transient governments and because the economy dips deeper into the red each day, Sr Soares, Sr Mota Pinto and their oegotiating teams have been unusually methodical in their efforts to glue together something more resistant than the 14 administrations that have flitted past since democracy was introduced in 1974.

It is not easy. The Socialist party is relatively homogeneous, dominated by the charismatic Sr Soares but with sound figures willing to play a coherent supporting role. The Social Democrats, however, are a different group of personalities. Negotiations have dawdled because PSD negotiators must laboriously refer back each major point to several, often argumentative, personalities.

Furthermore, the Socialists are not keen to see any ministers in the new Government who have been part of Sr Balsemao's administrations

The socialist rank and file would contest such repeat performances and a jaded public would assume it was being sold the same bill of goods under a different letterhead.

Both sides want to try to remain together at least until the presidential elections of 1985 when Sr Soares hopes to run for president and the PSD will field its own candidate.

They agree that the economy will need forceful handling, but so far a volunteer cannot be found for the Finance Ministry.

Sr Vitor Constancio, a former Finance Minister and now Deputy Governor of the Bank of Portugal, does not want the job, neither do PSD "high flyers"

Others are even more loath to be saddled with a ministry which will be the target of everyone if it cannot haul the country away from its crippling debts and make inevitable austerity serve some purpose.

AMERICAN NEWS

U.S. appears hopeful of Sandinistas' overthrow this year

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

THE REAGAN Administration sank deeper into the mire of controversy over its Central American policies yesterday following reports that it now believes that the left-wing Sandinista Government of Nicaragua could be overthrown by right-wing rebel forces by the end of the year.

The assessment was reportedly given by Mr William Casey, Director of the Central Intelligence Agency (CIA), and Mr Thomas Enders, Assistant Secretary of State for inter-American affairs, in secret testimony to Congressional intelligence committees in recent weeks.

Many Congressmen were sceptical about the prospects of the success for the U.S.-backed rebels, currently about 7,000 strong, whose activities have been at the centre of investigations by a hostile Congress. Administration and iotelligence officials, however, were said to believe that the rebels had a good chance of picking up popular support, attracting deserters from the Nicaraguan army and then converging in a pincer movement on the capital Managua, from north, east and south, later this year.

The optimistic assessment was seen by some Congressmen as intended to counter recent efforts on Capitol Hill to cut off "covert" aid to the rebels, by suggesting that they might be on the verge of victory. The disclosures nevertheless raised further serious questions as to the legality of the administration's support for the rebels, and of CIA operations in the area.

Under the Boland amendment of last December, the Administration is prohibited from indulging in activities intended to lead to the overthrow of the Government of Nicaragua. Despite Mr Reagan's recent description of the guerrillas as "freedom fighters" the official public line remains that the operation is intended solely to "interdict" arms supplies from Nicaragua to the left-wing guerrillas fighting the embattled U.S.-backed right-wing government of nearby El Salvador.

Other American officials, however, believe that reports of a guerrilla victory in Nicaragua, which the rebels themselves have long claimed to be imminent, are highly premature and based on questionable assumptions. They point out that the Nicaraguan army is 25,000 strong, not counting militia forces of another 50,000, and armed with modern Soviet equipment.

Meanwhile, the White House has again denied that Mr Reagan planned to send U.S. combat troops to El Salvador, despite o suggestion by a top American military officer that this might ultimately be necessary. General Wallace Nutting, commander of the U.S. southern command based in Panama, said that from a military point of view, the U.S. bad not "done what is required" to stop a Marxist takeover in El Salvador.

Senator Barry Goldwater, the right-wing Republican chairman of the Senate Intelligence Committee, also said at the weekend that the U.S. should consider sending combat troops. If the Governmant of Fidel Castro did not balt its drive to "Cubanise" Central America, be would not oppose a U.S. invasion of Cuba, he added.

Hugh O'Shaughnessy writes: Despite tough statements from some U.S. officials, remarks by other members of the Reagan administration are bolstering hopes that a negotiated settlement can be achieved to the fighting in Central America.

Mr Craig Johnstone, a senior State Department official dealing with Central Amarica speaking at a conference in Bonn last week organised by the Friedrich Ebert Foundation, pledged U.S. support for the efforts of the four-nation Contadora Group to halt the fighting. The Group is composed of Mexico, Panama, Colombia and Venezuela.

Mr Johnstone said that the Reagan administration considered the problems of Central America could be resolved only by "political reconciliation."

Mr Johnstone was noticeably warmer towards the Contadora Group than was General Vernon Walters, a former deputy bead of the CIA and now an ambassador at large.

A 12-strong team of observers sent by the Contadora Group to assess the tense situation on the Nicaragua-Costa Rica border arrived in San Jose on Sunday and is due to submit its report to the Group in Panama on Saturday.

Nicaragua wants debt payment deferral

By Peter Montagnon, Euromarkets Correspondent

NICARAGUA has asked its commercial bank creditors for a deferral of payments of some $100m in interest and principal due over the next year.

A telex to banks from Sr Joaquin Cuadra, Minister of Finance and Sr Luis Enrique Figueroa, central bank governor, said it was necessary to defer payments for up to 10 years because of a "critical shortage of foreign exchange."

The telex said that Nicaragua's economy had been hit by tha impact of bad weather on its agriculture—hurricanes and drought together have caused damage totalling $500m over the past year—as well as war damage of $58m caused by "the aggression of counter-revolutionary bands."

As a result, Nicaragua is seeking to convert payments dne between June 1 and June 30, 1984, into a 10-year loan repayable in instalments beginning in 1985. It would start paying interest on the amount refinanced from December this year. Its total debt is about £2.5bn.

But it is too early to say whether creditor banks will accept the proposal. Nicaragua is a member of the International Monetary Fund, but an IMF standby agreement is "very remote," ooe senior banker said yesterday. Other negative factors are the fact that Nicaragua is seeking to refinance interest and the possibility of resistance from the U.S. government to the refinancing.

Creditors banks are due to call a meeting soon to discuss the request. Until now, the country bas had an excellent record in servicing its debt, which was last rescheduled in 1980.

● Dr Arturo Sosa, Venezuela's Finance Minister, has apparently flown to the U.S. for talks with George Shultz, U.S. Secretary of State, Renter reports from Caracas.

Dr Sosa is expected to discuss Venezuela's rescheduling plans and comments last week by Donald Regan, U.S. Treasury Secretary, that the government should accept an International Monetary Fund programme.

Jimmy Burns visits a country which prides itself on its stability

Uruguay moves gently to democracy

ON THE other side of the River Plate, about a 20-minute flight from the smog-ridden skyscrapers of Buenos Aires, there are almost as many seagulls as there are people. A gentle sea breeze blows over Montevideo, a capital city the size of a European provincial town, with narrow streets, old cafes, and second-hand bookshops, in a country which was once one of the most open and cultured societies in South America.

The contrast persists in other ways, for Uruguay's liberalisation from an authoritarian militarist state to a democracy appears to be proceeding steadily, if slowly, on course. In Argentina, the political mood seems to be more like a fast-burning fuse, on its way to a dramatic explosion.

Before the 1973 military coup, Uruguay, a small and vulnerable country with a population the size of Wales, bad earned itself a reputation as Latin America's most advanced democracy because of its welfare programmes, high literacy rate and years of uninterrupted civilian rule.

Even now, many think that a stable political future is assured. Party politics have never been corrupted by the local equivalent of a Peron, diplomats and politicians say, and the armed forces do not have the kind of messianic sense of mission which led the Argentine junta into fighting the Falklands war.

The moves back towards democracy in Uruguay started in 1980. After seven years of unbending and repressive rule, the military Government threw open its plans for limited democracy to a national plebiscite. They centred on tha survival of a powerful Military Council, with veto rights over any future legislation, and the holding of an early Presidential election with only one candidate.

The military tightened its control of television and radio, shut down opposition newspapers and imprisoned out spoken politicians. The result was a 54 per cent vote against the military's proposals in the plebiscite, a convincing majority under the circumstances.

Last November the military took another calculated risk by allowing the opposition to stage internal party elections. Though in theory the elections had the limited aim of choosing party authorities, in practice they had the pace and tension of U.S. Presidential primaries. In spite of a further attempt by the military to keep a grip on things—newspapers were heavily censored and Left-wing parties officially banned from participating — the outcome represented a further rejection of military rule. The most pro-military candidates standing for party posts were heavily defeated.

The latest attempt to iron out points of common agreement took place wben the generals met representatives of the two main parties earlier this month. A number of key constitutional points are under consideration, including:

● The scope and scale of military participation in the future political system.

● The generosity of a proposed amnesty for political prisoners and for exiled Uruguayans. The number detained has dropped from a peak of 5,000 to just under 1,000. About 10 per cent of the population has left the country sinca 1973 wben the military took over.

● Sanctions for officers found guilty of buman rights violations. Most of the missing Uruguayans (not more than 100) are believed to have been killed in Argentina, but there is substantial evidence pointing of the systematic use of torture in Uruguayan jails.

● Electoral law. The opposition would like to see the current ban on Left-wing parties, including the Christian Democrat party, lifted and the return to public activity of banned politicians, including the current leader of the Blanco Party, Sr Wilson Ferreira, who is exiled in England.

Neither the parties themselves, nor the military seem to have a clear-cut following. The two major parties—the Colorados and the Blancos—which could once be classed as respectively liberal and middle class, and conservative and landowning, are now far more amorphous and ideologically ambiguous.

The military is also far from homogenous and not without ambitions. Some officers who were in the front line against the Tupamaro guerrilla movement in the late 1960s, are suspicious of the growing confidence of the parties.

Others disapprove of the country's current President, General Gregorio Alvarez, a dynamic and intelligent moderate who would like to stand when Presidential elections take place next year.

Last week's talks were preceded by a massive anti-Government demonstration led by the re-emerging labour movement. The demonstration was the first May Day rally to be authorised by the military in nine years. It took place with minimum police presence and no violence was provoked by agents provocateurs, as had been widely predicted. Demonstrators shouted for an early end to military rule and the right to strike.

The demonstration was also the most visible display of unrest to date by sectors of Uruguayan society which have been hard hit by the Government's brand of free market monetarism.

The application and results of the Uruguayan Government's economic programme have been remarkably similar to the policies pursued by the Argentine military regime since 1976, with the added minus factor that Uruguay's economy is traditionally vulnerable because of its dependence on its neighbours.

Last November the central bank bowed to growing pressures and floated the peso. In less than two weeks, it fell by 46 per cent against the dollar, provoking a major run on dollar deposits. Stability has now returned to the foreign exchange markets but the legacy of the previous four years meant that an approach to the International Monetary Fund was necessary early this year.

The peso-dollar exchange rate had been set by the central bank and periodically adjusted et a slower rate than domestic inflation. This had been accompanied by a policy of drastic tariff reduction, which, although helping to reduce inflation, had left the industry and agriculture sectors dangerously exposed.

By 1981 a series of bankruptcies signalled the start of a crisis. A growing trade deficit was partially balanced on capital account by high domestic interest rates which themselves pushed the country into recession. Last year gross domestic product fell by 10 per cent and unemployment hit a record official level of 14 per cent—some economists would put it higher.

Agreement was reached with the IMF on a $950m debt rescheduling package early this year. The first tranche of a two-year $410m standby credit was disbursed earlier this month and bankers expect the last stage of the package, a loan of $240m, to be signed by July.

Uruguay's total foreign debt is estimated at $4bn, of which $2.7bn is public sector debt. Its net reserves at the end of last year were estimated at $200m but have fallen since then. The central bank avoided default by selling a considerable chunk of its gold reserves.

The central bank governor, Sr Jose Puppo said recently that he was reasonably confident of meeting the targets set by the IMF for this year. They include a reduction of the deficit on the current account of the balance of payments to $100m from $900m last year, and a cut in the budget deficit to 3 per cent of GDP from 12 per cent last year.

In contrast to other South American countries, he pointed out that Uruguay has little debt maturing next year and none in 1985, so that it should be able to avoid additional borrowing.

The government hopes that as a result of the devaluation, farm exports will pick up and expects that growth will be restored to between 1 and 2 per cent this year. It expects an inflation rate of around 40 per cent compared with 20 per cent last year, even though wages are expected to be tightly controlled.

Uruguay's economic recovery, however, will depend as much on internal politics and developments in Argentina and Brazil, than on its own financial management.

Figueiredo . . . alliance gives him control

Pact gives Figueiredo control in Congress

By Andrew Whitley in Rio de Janeiro

SIX MONTHS after last November's elections in Brazil had robbed the officially backed Partido Democratico Social of its majority in the Lower House of the Federal Congress, a political pact with a minor labour party has restored the Government's control over the Chamber of Deputies.

President Joao Figueiredo, at a dinner last night in Brasilia for Sra Ivete Vargas, leader of the small Partido Trabalhista Brasileira, was expected to set the seal on the behind-the-scenes negotiations of the past few months.

As a result of the pact, the PTB's 13 deputies will join forces with the PDS in the Congress, giving the Government a theoretical total of 248 votes against 231 for the three combined Opposition parties.

The lack of a working majority in the Chamber of Deputies has compelled the Government in recent months to resort more than it would like to "decree-laws."

The price exacted by Sra Vargas for her co-operation is not a high one in political terms. Indeed.

Among the measures likely to be enacted are a reduction in the authorised working week from 48 to 45 hours; the raising of government-set salary increases for middle income earners; and minor relaxations in the tough regulations governing strikes.

Israeli hospitals hit by dispute

TEL AVIV—Israel's medical services were near collapse yesterday with striking doctors in virtual hiding to evoid a government back-to-work order.

A pay dispute left large city hospitals manned by a handful of exhausted doctors and several reported they would not be able to receive many new cases.

"Any moderately serious traffic accident could throw us totally off balance," a spokesman at Haifa's 620-bed hospital said.

Only a few operations have been performed in government hospitals since some 7,000 doctors left their posts early on Sunday.—Reuter

Sanctions call

A Marxist Palestinian guerrilla leader called yesterday for Arab sanctions against Lebanon's government for signing an agreement with Israel on foreign troop withdrawals, Reuter reports from Damascus. Nayef Hawatmeh, head of the Democratic Front for the Liberation of Palestine (DFLP), said sanctions should be political, economic and diplomatic.

Sudan divisions

Sudanese President Jaafar Nimeiri, trying to quell unrest in the southern part of his country, is to divide the mainly African south into three regions, Reuter reports from Khartoum.

Thai border deaths

Four Laotian soldiers and two Thai villagers have been killed in border clashes between Thai and Laotian guards along the Mekong river dividing the two countries, according to police, Reuter reports from Bangkok.

Afghan grouping

Seven prominent groups of Afghan guerrillas were reported yesterday to have decided to merge into one party for two years. The grouping, formed to overthrow the Soviet-backed regime in Kabul, is said by the rebels' own news agency to be led by Prof Abdur Rasool Sayyaf, Our Foreign Staff writes.

Harare trial

Six white Zimbabawe airforce officers went on trial in Harare yesterday accused of complicity in a South African plot to destroy military aircraft in a sabotage attack on the Thornhill air base last July, writes Our Harare Correspondent.

Financial Times writers look at the background to the raid on the Mozambique capital of Maputo

Why South Africa holds whip hand

BY J. D F. JONES IN JOHANNESBURG

SOUTH AFRICA'S military capacity, overwhelmingly greater and more sophisticoted than that of its neighbours, allows its generals to act with near-total impunity—so long as their political masters permit them to defy international criticism

But Pretoria also has the capacity to make trouble for its neighbours without resorting to military action.

This is why domestic critics of yesterday's cross-border raid, who share the outrage at last Friday's terrorist bomb in Pretoria—argue that the government should not have allowed the military to bomb a neighbouring state.

Among the non-military weapons ovailable:

● South Africa can apply irresistible pressure through its economic might. The economies of all tha neighbouring states are in various ways dependent on the Republic, distressing though this is to them.

South Africa dominates the regional communications network, and thus the flow of trade. Even Socialist Mozambique'a port of Maputo could not survive without South African trade and technicians. Land-locked Zimbabwe has e similar reliance on passage through the Repnblic. Botswana, Swaziland and Lesotho are in effect components in tha South African economy.

Tha neighbouring economies still depend on South Africa as a market for the labour of their menfolk. Power, waler and services ore often interdependent.

It follows—the critics maintain—that a Sonth African Government determined on non-military edmonition could crack a painfully effective whip, although that would not perhaps be so satisfying a sight for an angry and alarmed white electorate.

● Throughout the region, Pretoria manifestly enjoys a network of informetion sources. In Zimbabwe, Mr Mugabe's government is suspicious of the loyalty of certain members of the white population, inclnding some who have stayed on in the security and defence areas. South African links of this sort spread fer to tha north.

● Pretoria has the capacity to destabilise the region. Few independent observers now doubt that the South Africans have a supporting role in the Mozambique Resistance Movement which is a large thorn in President Samora Machel's flesh.

The Lesotho Government of Chief Leabua Jonathan insists that his enemies are sheltered and helped by SA. The Zimbabweans are convinced that Pretoria is determined not to allow them to show the world that a black government can be successful and steble.

Against all this, the South African Government remains eware that it represents only a 4.5m white minority in a country of 20m black Africans at the foot of a black continent which has cast off white rule.

The South African military knows the difficulties regular armies encounter when pitted ageinst guerrillas who enjoy the support of the peasant and urban population. They also realise how vulnerable their industrial infrastructure could prove when challenged by effective sabotage or the withdrawal of labour.

Attacks aim at key symbols of white rule

BY OUR JOHANNESBURG CORRESPONDENT

NEARLY one hundred incidents apparently involving the African National Congress (ANC) have been monitored by Pretoria's Institute for Strategic Studies since the beginning of 1981.

The loss of life, however, has been remarkably low, mainly because the ANC has been trying to concentrate its sabotage operations against government and military inslallations rather than indiscriminate terrorism.

One of the grimmest aspects of last Friday's car bomb in the centre of Pretoria is that it may imply a change of policy, although South African officials have always scoffed at suggestions that the ANC was trying not to endanger "innocent" civilians.

This year has already seen obout o dozen reports of sabotage and bombing. The Supreme Court in Pietermaritzburg has been bombed twice. A bomb in a Bloemfontein pass office killed three and wounded about 75, all blacks. These offices, which administer apartbeid's influx control, ore popular to targets for symbolic attack.

The ANC's most impressive guerrilla achievement was recorded in December 1982 with the infiltration of four bombs inside the top security Koeberg nuclear power station 25 miles north of Cope Town.

The reactor had not been octivated so no civil emergency ensued. But the final construction work was put back—it has still not been brought on stream—and the population of Cape Town was severely shaken.

In the same month the Defence Force raided neighbouring Lesotho and killed 30 alleged ANC people.

Earlier in the year e wave of bombings, usually minor, struck Eastern Transvoal and Natal, often in remota areas within reech of Mozambique or Lesotho. Another shock came in Cape Town when a bomb was placed in a lift inside the President's Council building (successor to the Senate) in the city centre.

In 1981 there were more than 50 incidents throughout the country, ranging from a rash of explosions in the Durban and Port Elizabeth areas to a rocket attack on the major Voortrekkerboogte military base just outside Pretoria.

These incidents occurred even though the South African military launched en apparently successful pre-emptive and punitive strike at ANC command posts in the ont-skirts of Maputo, Mozambique's capital, in January 1981.

The previous year, ANC saboteurs raided Sasolburg, headquarters of the country's vital oil-from-coal industry, and destroyed eight fuel tanks. Since then security arrangements at key points of South African industry have been strengthened, ot the cost of serious strain on availoble (white) manpower.

The three minutes that brought death

MAPUTO — It took just three minntes. At 7.20 am local time Sonth African rockets atruck a factory and houses in a Mapnto suburb, leaving several people dead.

The ettack was made on a jam factory and homes in the suburb of Matole where, according to residents, no ANC members are now living. The residents said the ANC left the suburb after the South African commando raid in January, 1981, which killed 13 members.

Soldiers, police and militia fired at a South African attack force of seven aircraft. Anti-aircraft batteries guarding the Matola bridge, which carries all road traffic to Mannto, opened fire.

The raid took ploce nine miles from the centre of Maputo. Hours leter, the city was calm. Soldiers manned roadblocks on the main road leading from the capital.

Workers et the Somopal jam factory pointed ont tha corpses of three workers.

A fourth worker lay in a factory bathroom seriously wounded in his chest and legs. A rocket wonnded another worker, ontside the building.

The raid took place while employees were changing clothes to start work. Nearby houses came under rocket and machinegun fire. A woman cultivating her garden was wounded.

Abont 220 yards from the factory, the home of the director of the state advertising company, Intermark, was partly destroyed. Sixteen holes made by rockets pock-marked the garden of the house.

—AP

ANC re-emerges as leading force in exiled opposition

BY QUENTIN PEEL, AFRICA EDITOR

Oliver Tambo

THE AFRICAN Notional Congress (ANC), which yesterdey formally claimed responsibility for Friday's car bomb attack on the South Africa Air Force headquarters in Pretoria, has re-emerged in the past seven yeors as the leeding force in the exiled opposition to white minority rule.

Despite being the principal target of the South African security services, both inside and outside the country, the ANC has successfully carried out several dramatic attacks on key installations, as well as numerous smaller operations against police stations and government offices.

The Pretoria bombing, however, is the first such incident to have claimed a large number of civilian casualties, and eppears to represent a conscious escalation of the campaign for the violent overthrow of the South African regime.

It suggests a growing influence for militant nationalists within the ANC, as opposed to the more ceutious strategy of the Marxists who have traditionally been prominent in the the movement.

Top officials of the ANC, including Mr Oliver Tambo, the President, have warned on several occasions recently of the likely escalation of the campaign, as South Africa has leunched ever more drastic reprisals against neighbouring countries for allegedly harbouring ANC guerrillas.

South Africa's overwhelming military superiority in the region has oonetheless forced the ANC to keep both its formol training camps and its offices well away from the immediate neighbouring states.

Lusaka is the headquarters of the movement, and the base for Mr Tambo himself, as well as the national executive committee aod the Revolutionary Council, which amounts to the ANC military command. However, there are no military bases in Zambia, which would be well within range of attack by the South African Defeoce Force.

Estimates of the number of potential guerrillas within the movement range up to 5,000, most of them trained in Tanzania and Angola, with some facilities in Algeria.

The only representative office in e state bordering South Africa is in Botswaoa, where the Government has always been scrupulously careful to prevent any hint of military octivity. The Lesotho office has not been reopened since the South African raid on Maseru last December, nor is there any formal presence in Zimbabwe.

Namibia issue taken back to UN Security Council

BY OUR UNITED NATIONS CORRESPONDENT

AFRICAN and other Third World states, angered by the seemingly endless delays in implementing the United Nations-approved Western plan for a Namibia independence settlement, took the issue back to the Security Council yesterday.

The Council debate is expected to last a week or more, with scores of non-members also taking part, turning the proceedings into a mini-General Assembly.

Mr Sam Nujoma, president of the South West Africa People's Organisation, will also oddress the Council.

Whatever the outcome of the discussions, there is certain to be a steady drumbeat of criticism of the U.S., which is widely perceived in the UN as a friend and protector of South Africa.

Even Sr Javier Perez de Cuellar, the normally neutral Secretary-General, has been critical of the policy now espoused by the Reagan Administration of tying the withdrawal of the estimated 30,000 Cuban troops in Angola to the granting of independence to neighbouring Namibia.

Critical challenge faces Indonesia's Suharto

BY RICHARD COWPER IN JAKARTA

PRESIDENT Suharto of Indonesia, reappointed in March to a fourth five-year term as leader of the world's fifth most populous nation, is facing an awkward economic problem: how to prevent declining oil revenues dashing the country's hopes of escoping poverty. How he copes with it is being seen as a critical test of his leadership.

Since coming to power following an abortive coup in 1965, the 61-year-old former army general has presided over a breakneck economic expansion based on oil and gas and the exploitation of such vital commodities as rubber, tin, timber and palm oil. But the world economic recession, with declining demand and a weaker oil market, is now taking its toll.

In Jaouary he was obliged to introduce an austere budget in which government wages were frozen, subsidies eliminated and domestic fuel prices increased. In March, ofter months of deniels, the rupiah was devalued by 27.5 per cent. Finally, an announcement was made earlier this month that four major industrial projects costing $5bn would have to be "rephased" to save foreign exchange, and other projects are fecing the government axe.

Oil exports in 1983 are now calculated to earn around $10.5bn (£6.7bn), e decline of more than 30 per cent in two years. Ecooomic growth, which last year was the lowest in a decade et around 3.5 per cent, is expected to fall to 2 per cent this year.

Some believe that if the Government is not to face industrial unrest in the cities and a resurgence of antipathy towards foreign and local private investors, that President Suharto's regime will also have to spend more time and effort on income redistribution and poverty alleviation schemes, as well as reducing its expenditure on grandiose industrial projects.

For the West, this reversal of o trend is of particular interest. The industrialised countries, led by Japan and the U.S., have invested more than $10bn in Indonesia since President Subario came to power.

Opinions are divided on what the reversal means for President Suharto. Says one opposition critic: "His political banner has always been economic development. Now he's no longer able to deliver the goods. The collapse in oil prices could force him ont of power before the end of his term."

President Suharto

But President Suharto has shown that, when necessary, he can take tough decisions and carry the nation with him. One Western diplomat who has wotched him from the early days says: "Everyone is agreed that Indonesia has become too dependent on oil and that the economy is in for some very rough years. But it has been worse. Suharto's proved he's got the political skill and the economic team to battle through."

A senior member of the Indonesian political elite says there are no challengers to the President's throne. "He has either won them over, bought them off, ontmanoeuvred them or destroyed them. He has come to be accepted as the undisputed father of thia conntry."

Certainly among the predominantly feudal Indonesian peasantry he is looked upon more as o traditional, Jovanese-style king who rules by divine right rather than as a democratically elected leader of a modern republic.

His political attitudes and leadership style reflect both his study of Javanese culture and mysticism and his army experience. The Javanese emphasis on harmony, order, respect for authority and the need for lengthy periods of mediation means he has little time for what he describes as "the ragings of Western liberalism." He is widely believed to consult dukuns (traditional spiritual magicians) when he is faced with a difficult political decsion.

His 36-year-long career in the army, which he joined as a youth of 19, has spawned o staunch anti-Communism, nationalism and commitment to discipline, order and hard work. These stern attributes stand in marked contrast to his predecessor, President Sukarno.

Thus, while his dull delivery and lack of flamboyance have prevented him growing into a popular figure, he has come to be regarded by most Indonesians as an aloof, but benevolent, father figure—less loved, perhaps, than admired, appreciated and respected.

Britain likely to boost exports to Russia

BY ANTHONY ROBINSON, MOSCOW CORRESPONDENT, IN LONDON

MANY A false dawn lightened the horizon of Anglo-Soviet trade over the past decade during which the UK slipped from second to ninth place in Soviet trade with the West. But, after a depressing 1982, when British exports slipped to £356m from £409m in 1981 and higher Soviet oil exports boosted Soviet sales to the UK to a record £645m, conditions now seem more promising for higher UK exports to reduce the gap.

This was the message of a business-like Anglo-Soviet trade conference in London last week attended by senior Soviet trade and industry officials, led by deputy foreign trade minister Alexei Manzhulov, and senior executives from over 130 UK companies.

Despite the chill in overall Anglo-Soviet political relations, the UK Government's resistance to U.S. pressure over the sale of components for the Siberian gas pipeline, its insistence that contracts be honoured and the dispatch of trade minister Mr Peter Rees to Moscow earlier this year to underline the Government's backing for increased trade appears to have revived Soviet interest in the UK as a viable alternative supply source.

This partly reflects Soviet desire to avoid over-dependence on West German, French Japanese and other leading suppliers. But it also reflects the efforts made by UK companies and trade missions to advertise the increased competitiveness and new product ranges now on offer by many British companies. This competitiveness has been reinforced by sterling's fall from the artifically high levels of 1979-80 which British trade officials acknowledge as one of the principal reasons behind the recent decline in UK exports.

The quality of the Soviet delegation, which included deputy ministers of both the gas and chemical industries and directors of leading foreign trade organisations like Mr Georgi Sbukin, of Promashimport, responsible for signing contracts with Western companies worth around 1bn roubles (£900m) a year, provided an opportunity for some direct sales pitches during the two day event.

Four previously negotiated contracts "worth several million pounds" were signed—by Molins for cigarette making machinery, paper converting machinery, Xerox and Ingersol-Rand for pumps. But perhaps the most important development came with the setting up of two new joint working groups.

They will be headed on the Soviet side by a senior head of department in the relevant ministry and are designed to give greater access to final end-users under official auspices. The first joint group will deal with machinery and equipment and is expected to concentrate initially on the automotive industry, a sector of renewed interest to auto component makers following the recent Politburo decision to replace the ageing Moskvitch model with a new front-wheel-drive hatchback. The second working group will deal with agriculture, food processing and packaging. The Soviet Union plans to modernise food processing and storage facilities as part of the long-term "food programme" and UK companies have recognised skills in this area. Some 37bn roubles were invested in Soviet agriculture last year and over 30 per cent of the Soviet investment budget is earmarked for the food programme up to 1990.

Mr Yuri Andropov, the Soviet leader, has made clear in his economic policy statements that future investment policy will result in fewer large-scale, green-field, turnkey type projects, which used to be the main attraction for western companies, with greater emphasis on the modernisation of existing facilities and updating technology.

Dutch await order for cleaning up Gulf slick

By Walter Ellis in Amsterdam

THE DUTCH Government and a consortium of Dutch companies are awaiting confirmation from the authorities in Kuwait of a multi-million-dollar contract to clean up the huge oil slick in the Gulf.

A deal could be agreed within the next two weeks.

Mrs Neelie Smit-Kroes, the Dutch Transport and Waterways Minister, recently visited the area as head of a specialist team from the Netherlands seeking the contract. She now believes there are "reasonable grounds" for optimism.

The consortium, made up of Dutch dredging and construction companies, including Boskal Westminster and Volker Stevin, is to forward further details of its clean-up plan and appears, at present, to be the only serious contender for the job.

Mrs Smit-Kroes five-day visit took her to Kuwait, Saudi Arabia and Bahrain.

Dutch contractors have already assembled a large team of pollution experts and a fleet of specialist vessels to mop up the slick and ensure that no further oil comes ashore or fouls vital desalination plants drawing inshore water.

Good start to China talks

PEKING—The U.S. Commerce Secretary Mr Malcolm Baldrige, said yesterday his talks with Chinese leaders had begun in an excellent atmosphere and he did not expect the sensitive problem of U.S. arms sales to Taiwan to dominate trade issues.

The purpose of his five-day visit had been "to restore the momentum which previously characterised the relationship between the U.S. and China."

"In general, the feeling was excellent," he declared after co-chairing the first meeting of the U.S.-China Joint Commission on Commerce and Trade, with China's Foreign Trade Minister, Chen Muhua.

Asked whether political problems between the U.S. and China had impinged on trade issues, he replied that it was quite obvious to the U.S. that China "has tried to put the problems in separate compartments."

Reuter

Call for aid to Caricom

BRIDGETOWN — Senator Clyde Griffith, Barbados Minister for Planning, Energy and Natural Resources, has called on the Caribbean Development Bank (CDB) to provide direct aid to the region's producers.

Senator Griffith said recent trade crises illustrated "the urgent need for Caricom (Caribbean community) manufacturers to venture out of the region into wider, more competitive fields."

Indonesia LPG agreement

JAKARTA—Indonesia has signed agreements to export an eventual 450,000 tons a year of liquefied petroleum gas (LPG) —its first major contract to export LPG, Judo Sumbono, president-director of Pertamina, the state oil company, said.

The gas would be sold to three Japanese companies — Japan Indonesia Oil Company, Toyo Menka Kaisha and Nippon Steel.

The three companies have agreed to build a 450,000 ton per year $80m (£53m) fractionation plant to break down and refrigerate the gas on Bintan Island in the Malacca straits, he added.

Before completion of the plant, the companies will lift a minimum of 350,000 tons a year from Indonesia's new refineries for export to neighbouring Asian countries.

After completion, the whole of the plant's ton output would go to end-users in Japan.

Reuter

Airbus Industrie and Boeing face battle over new airliner

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE LIKELIHOOD of a major battle between Airbus Industrie and Boeing of the U.S. for world markets for a new 150-seater jet airliner will be one of the dominant themes at this week's Paris International Air Show, which opens on Friday.

Airbus, in which British Aerospace has a 20 per cent stake, is still determined to press ahead with such a venture, despite lack of support (including cash) from the UK and West German governments, who have still to make up their minds on the project.

Airbus, which believes such an aircraft could be ready for service by 1988, wants to start as early as possible, but Boeing, already enmeshed in several other new aircraft programmes —the 757, 767 and 737-300—believes the 150-seater will be a 1989-90 aircraft, and could be even later.

Mr Derek Brown, Airbus Industrie's vice-president for new product policy co-ordination, said in Hatfield recently that the European aircraft industry had to take risks if it was to build on the successes achieved so far and to ensure its long-term prosperity.

Through Airbus, he said, Europe had made a major impact on the world airline market in the past decade, with a profound penetration of the total wide-bodied aircraft market.

"It is thus vital to preserve and improve this position by making the existing products even more advanced technologically, to maintain their competitiveness and by adding new members to the family to cover the whole spectrum of aircraft needs.

"With the Airbus partners' own aircraft, in the feederline, commuter and executive fields, Europe would again be able to cover the total market as in the 1950s and 1960s."

Boeing, however, is much more reluctant to become involved in any new aircraft programme, while it is still recovering its investments in the Boeing 757 and 767 twin-engined jet airliners, and is still developing the new improved Boeing 737-300.

However, it would be prepared to compete in this field if forced to do so by Airbus, although not necessarily with a new aircraft, such as the "7 Dash 7" on which it is already working, but rather with a further derivative of the 737, called the 737-400.

Boeing is expected to stress at the Paris show that it believes any new 150-seater jet to be more a 1989-90 aircraft, or even perhaps a little later, because of the current reluctance of the market to spend the heavy sums needed to buy a brand-new design.

A cheaper, faster "interim" type aircraft, such as the 737-400, would meet the airlines' immediate needs, leaving the more expensive all-new technology aircraft to follow when the world airline recovery has fully developed, and more cash is available for new equipment.

Snamprogetti seeks $700m Algeria chemical contract

BY JOHN PHILLIPS IN ROME

SNAMPROGETTI, the engineering concern owned by ENI, Italy's state-owned energy group, is negotiating for a $700m (£466m) contract to supply a chemical plant at Rourdanous, Algeria.

News of the possible deal came as another ENI subsidiary, Nuovo Pignone, won a contract worth $120m to supply machinery for the Soviet gas pipeline to Europe.

The Algerian contract came under discussion following the long-delayed inauguration of another gas pipeline—this time the one from the North African state to Italy which was held up by wrangling between the two countries over the price of gas.

The Algerian pipeline, previously seen as a major embarrassment by Italian officials because it was constructed so long ago, was inaugurated by Sig Sandro Pertini, the Italian President, along with his Algerian and Tunisian counterparts at a ceremony in Tunisia this week.

Several contracts with Italian companies are thought to have been delayed by the talks over gas pricing and it is now hoped that the lost ground can be made up.

Methane gas is scheduled to start flowing into Italy along the Algerian pipeline from the beginning of next month.

Japanese in West German video cassette operation

BY JOHN DAVIES IN FRANKFURT

VICTOR COMPANY of Japan (JVC) has begun production of video cassettes at a newly-built factory at Mönchengladbach, near Düsseldorf, in West Germany.

The factory will turn out about 3m VHS system cassettes this year, with output expanding to about 8m next year and about 10m in 1985.

The video tape will be imported from Japan and assembled into cassette form in Mönchengladbach along with locally-made parts.

JVC said the factory was the first production centre set up outside Japan by a Japanese consumer electronics company to make video cassettes.

A Hitachi-Maxell partnership is planning to start making video cassettes at Telford in England at the beginning of next year. Production will be initially 9m cassettes a year, rising to 12m. As with the German operation, the video tape will be imported from Japan.

JVC already assembles video recorders in Europe in partnership with Thorn EMI of the UK and Telefunken of West Germany, in which Thomson-Brandt of France recently acquired a 75 per cent stake. The partners began assembling video recorders in West Berlin last May and at Newhaven in the UK last October.

Mitsubishi in £163m deal to make Malaysian cars

BY WONG SULONG IN KUALA LUMPUR

A FORMAL agreement was signed in Kuala Lumpur yesterday between the Government's Heavy Industries Corporation of Malaysia (Hicom), and the Mitsubishi group of Japan for the production of Malaysian cars.

The project will cost $245m (£296m), and will see the first made-in-Malaysia car on the road by the middle of 1985.

The venture, one of the pet projects of Dr Mahathir Mohammed, the Prime Minister, has been subject to considerable controversy.

But Dr Mahathir has argued that the project is not only viable, but would act as a catalyst for further industrialisation.

Hicom is to take 70 per cent of the equity, while the Mitsubishi Corporation and the Mitsubishi Motors Corporation will hold 15 per cent each.

The plant, to be sited outside Kuala Lumpur, will cater for the local market, with production at 20,000 units in the first year, rising to 120,000 units by 1990.

● The U.K. engineering group, Henry Booth, has won a $4.8m contract from the Malayan Railway Authority for relocation of its marshalling yard in Singapore.

Labour leaders attack 'lack of compassion'

BY PETER RIDDELL, POLITICAL EDITOR

THE LABOUR PARTY yesterday attempted to undermine the Conservatives' lead in the opinion polls with a series of warnings of what might happen to the welfare state and the economy if Mrs Margaret Thatcher, the Prime Minister, were re-elected on June 9.

Speeches and press interviews during the day by leading Labour spokesmen focused on the theme of the underlying weakness of the economy.

Mr Michael Foot, the Labour Party leader, said last night that Labour bad to fight "Thatcher-Tebbit Toryism, a philosopby from which *all* compassion and generosity of spirit have been squeezed out." Mr Norman Tebbit is the Employment Secretary.

Mr Foot accused Mrs Thatcher of contemplating with complacency the continuance of 3¼m to 4m unemployment for years and years ahead. He argued that the "mask is being stripped from the chief Tory claim in the manifesto (Programme for Government), that recovery has begun and the evidence pours out apace every day."

Mr Gerald Kaufman, the Opposition's environment spokesman, said the Conservatives had turned it into a secret election.

"On the surface everything seems much as usual," he said. "But behind the scenes she (Mrs Thatcher) is making her real plans. She is preparing to scrap the National Health Service, to push up unemployment *even higher, to swindle pensioners* out of even more in the oext parbament than she did in the last, and to put up taxes even higher."

Labour leaders also alleged that there was a "cover-up" by the Government of a report highlighting Britain's poor industrial performance.

The report, by the National Economic Development Council, was disclosed in part at the weekend by Mr Neil Kinnock, Labour's education spokesman.

Mr Peter Shore, Labour's shadow Chancellor of the Exchequer, described the report as a damning indictment of the Government's record. But Sir Geoffrey Howe, the Chancellor of the Exchequer, dismissed the Labour criticisms as "totally fanciful."

He said it was "distressing and shocking" that there had been the totally false allegation that the Government had suppressed the report.

Pym firm over Falklands

By Peter Riddell

MR FRANCIS PYM, the Foreign Secretary, last night took a tough line over possible negotiations with Argentina over the future of the Falkland Islands.

He rejected "mindless calls to negotiate" and said that in face of Argentina's "cynical disregard for international standards of behaviour and buman rights, the question of sovereignty over the islands is simply not on the agenda."

Mr Pym's remarks were clearly intended to rebut any charge that he was too "soft" over the question of negotiations. He had been publicly interrupted by the *Prime Minister over the Fal*klands last week and there has been speculation about his future after the election.

He said that Britain wanted to re-establish a greater degree of normality, but he insisted that a *fundamental change of attitude* by Argentina towards an ending of bostilities was the first requirement.

The fundamental principle, he said, was the right of the islanders to self-determination.

HOME SECRETARY GOES CAMPAIGNING IN HIS OWN CONSTITUENCY

Whitelaw defends Prime Minister's style

BY JOHN HUNT

MR WILLIAM WHITELAW, the deputy Conservative leader and Home Secretary, yesterday strongly defended Mrs Margaret Thatchar's handling of the election campaign. He refuted criticisms that she had made it a "one-man band."

Some senior conservatives have been reported to be worried by the Prime Minister's aggressive electioneering style and her treatment in public of some of ber Cabinet colleagues.

Mr Whitelaw, however, said: "I absolutely, totally approve of the campaign." He described accusations about Mrs Thatcher's conduct of it as "unfair and nonsense."

He also denied suggestions that the Prime Minister was developing a U.S. presidential system in Britain. *It would, he said, be a great* mistake to do such a thing.

The Home Secretary, who was campaigning in his rural constituency of Penrith and the Border in the north of England, maintained that many of the stories about possible Cabinet changes after the electioo were "very wide of the mark."

He agreed that the Prime Minister bad a dominant personality, but said this was very different from saying she dominated the other members of the Government.

"She is much less dominant than she appears. She will always listen to what people say," he said. "It is not true that her ministers bave not taken part. I have always found her extremely easy to work with."

Mr Whitelaw, who lives on a big estate in his constituency, has held the parliamentary seat there for more than 20 years with a buge majority – more than 17,000 at the last general election in 1979.

In parliament, be is attacked by right-wing Tories for being too liberal, and as one of the ministers who should be demoted in any Cabinet reshuffle. But, as he campaigns in his constituency, be is met with nothing but loyalty and affection.

Electioneering is an unsophisticated art in Whitelaw territory. At *his first campaign stop yesterday,* be bounded out of his black Jaguar car and dogs sleeping in the sun stirred into temporary life as the great voice boomed over the loudspeaker.

"Good morning, ladies and gentlemen. This is Willie Whitelaw, your Conservative candidate. I am coming round to give everyooe the opportunity to speak to me if they wish to do so. I hope you will vote for me on June 9. Thank you very much."

Small groups of tweed-clad women, farmers and labourers gathered for this exercise in pastoral politics.

"Lovely to see you," beamed Mr Whitelaw. "Marvellous, splendid, jolly good."

There was a smattering of questions about unemploymenl and capital punishment. But the main problem in nearly everyone's mind was an 18-year-old row about the water supply and sewage. Now bere was a really serious matter. Willie assiduously took notes and promised action when re-elected.

Suddenly, on a *lovely* stretch alongside the sparkling waters of the Solway, the small campaign convoy screeched to a halt. Some sort of emergency? No, the charming Mrs Celia Whitelaw had decided that it was time for a roadside picnic.

Tea, coffee and biscuits were handed round as Mr Whitelaw held forth about the intricate local politics of Solway's salmoo fishing.

Later, at another bamlet, an elderly man engaged him in a long argument, insisting that all politicians should be compulsorily retired at 65, an age which Willie reaches in June.

Most politicians would take umbrage at such a suggestion. Not Mr Whitelaw. "What a dear old boy," be chortled in genuine delight.

Mr William Whitelaw: Yesterday he toured his constituency and said he 'absolutely and totally' supported Mrs Thatcher's style in the election campaign and refuted criticisms that it was e 'one-man band'.

Scotland 'can now expand'

By Mark Meredith

MR GEORGE YOUNGER, the Scottish Secretary, said yesterday that Scotland now had lower unemployment than Wales, the North-east, the North-west and even the West Midlands.

He told an election meeting that oil, electronics and careful government support had given Scotland its best opportunity to expand since the 1920s.

Mr Younger had earlier told a press conference that 250,000 jobs could be at risk in Scotland from a Labour government because of Labour's plans to withdraw from the EEC.

The impact which Labour's defence policy could have on jobs in Scotland hardly bore thinking about, be added.

Mr Younger and Mr Alex Fletcher, the Scottish Industry Minister, said that foreign companies had buill up their bases in Scotland for access to the Western European market. In the past five years, the electronics industry had generated over £400m in investments with more than 60 companies creating 15,000 jobs in Scotland.

Jenkins fears for the Tory liberals

BY IVO DAWNAY

MR ROY JENKINS, the prime minister designate of the Social Democrat/Liberal Alliance, claimed yesterday that the liberal wing of the Conservative Party would be "snuffed out" if Mrs Margaret Thatcher was returned to power.

In a clear attempt to join the Labour Party in bringing the Prime Minister's personality to the centre stage of the election campaign, Mr Jenkins said that a Tory victory would give Britain the most right-wing government in the Western world.

Criticising comparisons between Mrs Thatcher and Sir Winston Churchill, Mr Jenkins said that the latter had united the nation. "Mrs Thatcher's cootribution is not only to divide the nation," he said, "but to sunder the Conservative Party."

Mr Jenkins, the former president of the EEC Commission, referred to senior members of the liberal wing of the Conservative Party. He said Lord Carrington, the former Foreign Secretary, was not campaigning. Mr William Whitelaw, the Home Secretary, appeared to bave been relegated to his Cumberland constituency. Mr Francis Pym, the Foreign Secretary, and Mr James Prior, the Northern Ireland Secretary, bad been "humiliatingly slapped down."

Asked to explain the Alliance's poor performance in polls of marginal seats, Mr Jenkins said that the "target" seats had been selected by pollsters who had conducted only rudimentary research.

Mr Jenkins: 'nation divided'

"There is no doubt that all those actively campaigning over the past week are absolutely convinced that on the ground – at meetings, canvassing and meeting people in shopping centres – we are now moving substantially ahead of any poll showing we are getting," be said.

● *Mr David Steel, the Liberal Party* leader, accused Mrs Thatcher yesterday of an "appetite for total power." He claimed that the Prime Minister was planning to drop her "toned down" manfesto in the event of a landslide Conservative victory.

Ulster Unionists agree partial electoral pact

BY OUR BELFAST CORRESPONDENT

NORTHERN Ireland's two main Unionist parties have managed only a limited electoral pact, which leaves several constituencies, including Mr Enoch Powell's South Down seat, open to nationalist candidates.

Last-minute attempts to persuade constituency associations to agree oo joint Unionist candidates in six key seats succeeded in only three.

The main benefit, however, seemed to accrue to the Official Unionist Party, led by Mr James Molyneaux, rather than the Rev Ian Paisley's Democratic Unionist Party.

Ulster's representation has been increased from 12 to 17 seats in this election and the boundary changes make predictions difficult.

Forecasting is further complicated because the rival Unionist camps may still do deals. Candidates might conceivably declare that they were not seeking election, although their names would appear oo the ballot papers.

A total of 95 candidates lodged nomination papers yesterday for the Ulster seats.

The Unionists in their various shades have a chance of up to 13 seats but some are by no means certain. They may be belped by the split nationalist vote between the Social Democratic and Labour Party, fielding candidates in all seats, and Sinn Fein, the political wing of the Provisional IRA.

Sinn Fein is entering 14 candidates and, although West Belfast *seems its only real hope, it will put* strong pressure on the SDLP in mid-Ulster, where the Unionist vote remains split.

The SDLP still hopes for a victory for Mr John Hume, its leader, in Foyle, where a single Unionist candidate was agreed.

Party cuts candidates

BY KEN FERRIS

THE NATIONAL FRONT, an extreme right-wing party, will have many fewer candidates at this election than at the previous general election.

The party, which has never won a parliamentary seat, intends to have 81 candidates, compared with 303 in the 1979 election.

It outlined its election programme yesterday. The programme included a proposal for a law to force Afro-Asians and non-whites to leave Britain through a process of "phased and orderly repatriation." It said European immigrants, including refugees, would be allowed to stay.

Mr. Martin Webster, of the National Front, said: "We are organised to destroy the multi-racial society."

UK NEWS

Sharp decline in merchant fleet

BY HAZEL DUFFY, TRANSPORT CORRESPONDENT

THE SIZE of the UK merchant shipping fleet declined sharply last year for the second year in succession. Ships were sold or transferred to other flags in response to the falling competitiveness of British shipping and the decline of world trade.

Figures published today in the annual report of the General Council of British Shipping (GCBS) put the total UK merchant fleet at the end of 1982 at 868 ships of 24.7m dwt. At the end of 1981, the fleet totalled 994 ships of 29.4m dwt.

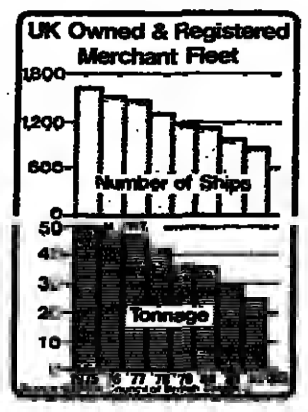
Some of the tonnage was sold, but owners also put tonnage under dependency registers, such as the Bahamas, Hong Kong, as well as foreign flags, which enabled owners to keep the ships in operation and retain some jobs for UK seafarers.

In addition to the sales and transfers, some 18 per cent of the UK fleet – 88 ships of 6.3m dwt – were laid up at the end of March.

In two of the sectors most affected by the decline in tonnage – tankers and deep sea tramp shipping – the GCBS sees few prospects of improvement. For tankers, it comments: "Subject to absence of major interruptions of supply routes, demand for tankers is unlikely to exceed the 1980 level and could fall by some 30 per cent by the 1990s."

The surplus in VLCC (Very Large Crude Carrier) tonnage "is highly dependent on the rate of scrapping, and balance is unlikely to be reached before the late 1980s. Product and medium crude carriers are unlikely to experience balance and profitable trading much before 1985."

Dry cargo tonnage laid up in the UK last year increased from 100,000 tons in January 1982 to 1.9m a year later.



Unilever division staff rejects union representation on pay

BY JOHN LLOYD, LABOUR EDITOR

A BALLOT of sales staff in the Birds Eye/Walls division of Unilever has produced a majority in favour of negotiations over pay and conditions being handled by consultations between the staff group and the management, rather than by the unions which previously represented them.

The ballot result has wide implications beyond the immediate consequences within the company – still under discussion between unions and management – and is seen by the leader of one of the unions, Mr Roy Grantham, general secretary of the Association of Professional, Executive, Clerical and Computer Staffs (Apex), as evidence of a general employers' offensive against the unions.

It will also be seen as bolstering the Government's intention, if re-elected, of introducing legislation specifying balloting on a wide range of issues, though ballots on the continued right of a union to represent its members in pay negotiations is not among them.

The Birds Eye/Walls ballot resulted from the merger of the formerly separate Birds Eye and Walls divisions in 1980, and the company's intention to create a unified sales force.

In the course of so doing, it brought together a group of salesmen organised by the Association of Scientific Technical and Managerial Staffs (ASTMS) and another group of sales clerical staff organised by Apex.

Also included in the new unified sales group were a number of workers who were not union members.

American syndicates approach ex-Lloyd's executive

UNDERWRITING syndicates operating on the Insurance Exchange of the Americas, the Florida-based insurance market which is modelled partly on Lloyd's of London, have approached the market's authorities indicating that they would like Mr Peter Cameron-Webb, a former underwriter at Minet Holdings, to underwrite on their behalf.

Mr Cameron-Webb, who once headed the PCW underwriting agency company, which looks after the affairs of more than 1,000 members of Lloyd's, left Lloyd's nearly 18 months ago. The underwriting agency company, which forms part of the Minet group, is at the centre of a Trade Department investigation and a City of London Police Fraud squad inquiry.

The investigation by the authorities began last November. It has been studying how $53m of Lloyd's syndicates money was arranged in the form of reinsurances with a number of groups in which former Minet executives had interests.

Mr Alan Teale, president of the exchange, said in London yesterday: "Some syndicates have said that they would like Mr Cameron-Webb to underwrite for them. He has a home in Miami and we will obviously be talking to him."

The exchange, which opened for business on April 4, hopes to have 16 syndicates operating by the end of next month.

● Mr Ian Posgate, the former leading underwriter of Alexander Howden Group, is defending a legal action launched by the Banque du Rhone et de la Tamise, a Swiss bank, which is seeking the repayment of more than £1m in loans.

The writ was issued last month in the UK High Court against Mr Posgate and his wife, Margaret.

Curbs on NatWest mortgages

By Margaret Hughes

NATIONAL WESTMINSTER, one of the major UK clearing banks, has placed tough limitations on future lending for house purchases.

From June 1, NatWest mortgages will be granted only to customers of 12 months' standing and the maximum percentage advanced will be reduced to 80 per cent of the cost of all properties.

The bank has also raised the size of the minimum mortgage to £12,500 (from £5,001) but left unchanged the maximum mortgage at £150,000.

While other clearers curbed their mortgage lending last summer when they had reached their targets more quickly than expected, NatWest continued its "open door" policy.

With the sharp cutback in lending by the other clearers, however – at their peak they were providing one in three of all mortgages – NatWest says it has been so overwhelmed by demand that it has already passed its £1bn target for the year.

NatWest also claims mortgage requests have risen during the past few months to a rate of £250m a month – well over double the £90m to £100m a month it had been lending in the early months of this year. Overall bank mortgage lending is currently around £170m a month compared with a level of some £350m to £400m a month in the summer of last year.

The building societies are currently lending at the rate of around £1.6bn a month but estimate that overall mortgage demand is now around £2bn a month, or about double the level of last summer.

Workforce in textiles 'cut by one – third'

Financial Times Reporter

THE WORKFORCE in Britain's textile and clothing industries has shrunk by a third in the past four years, Mr Ken Woolmer, the Labour Party's trade spokesman, claimed yesterday.

Mr Woolmer said the number of workers in a wide range of inter-dependent industries, stretching from lace and man-made fibres to furs and carpets, had fallen by 300,000.

Despite what he described as "this devastating decline," Mr Woolmer pointed out that these industries together still employed 600,000 people with annual sales of £10bn.

He told a conference of textile workers that although Tory spokesmen had often blamed industrial decline on excessive wages and strikes, workers in textiles and clothing had not priced themselves out of jobs or failed to co-operate with management on changes in working practices.

Mr Woolmer put part of the blame on a "cruelly high" value of the pound which had restricted exports, and part on a failure to protect textiles from imports by trade barriers as many other countries had done.

The conference urged a future Labour Government for a commitment to aid textile and clothing industries. It called for measures which included a controlling stake by public ownership in some large national and multi-national textile companies.

Stores regroup

HOUSE OF FRASER, the department stores group, is to combine its 52 north of England and Scottish stores trading as Frasers, Arnotts and Binns under a new management group based in Glasgow.

Mr Bill Crossan, managing director of the Fraser group, denied yesterday the move was connected with attempts by Lonrho, Mr Roland "Tiny" Rowland's trading conglomerate, to force the demerger of Harrods, the House of Fraser's Knightsbridge, London, store.

Credit delay

BRITAIN'S Export Credit Guarantee Department (ECGD) has still to agree on a credit arrangement worth about $200m with the Iraqi authorities after inconclusive talks in Baghdad.

The funds will be used mainly to fund projects in Iraq being built by the three British companies. These are Kier International, John Laing Construction and Patterson Candy International. A sharp reduction in Iraq's oil revenues as a result of the war with Iran is forcing Baghdad to switch from cash to credit to pay for projects.

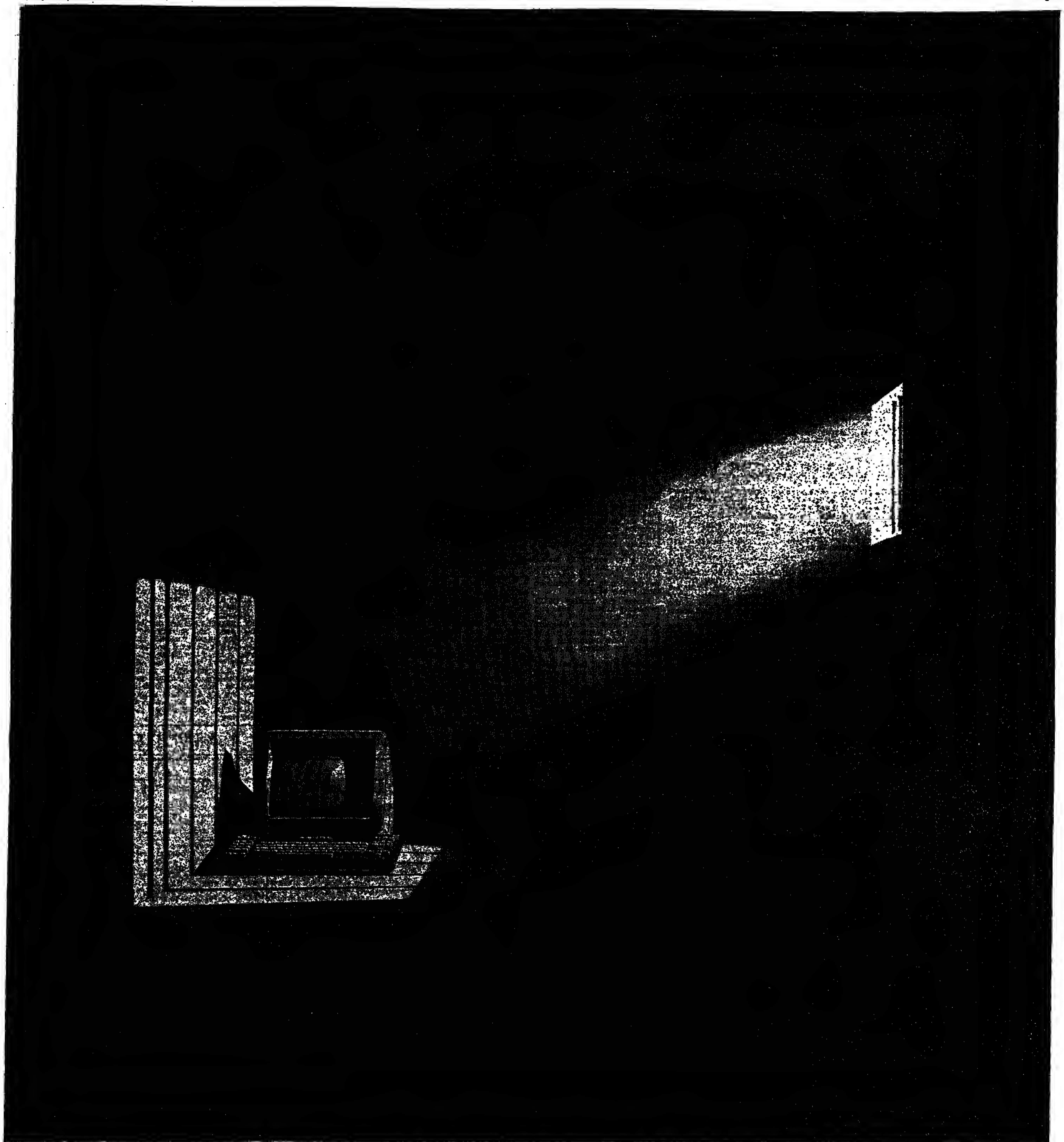
Pensions study

PENSIONERS in Britain were among the financially worst off in Europe, a report from the National Pensioners' Convention said. While pensioners in France, West Germany or Belgium had pensions worth half the average earnings, British pensioners received less than a quarter of average earnings.

Of six European Community countries, only Denmark was shown to have lower levels of pension than the UK.

Cam closure

CAM GEARS, part of the U.S.-owned TRW Group, is to close its factory at Hitchin, Hertfordshire, with the loss of up to 250 jobs. The company said the factory, which makes steering components for the commercial vehicle industry, was no longer viable. It had been working at only one-third of its capacity. Closure would be phased over the next year.



UK NEWS

FT writers assess forecasts for the UK and the whole OECD given in the latest Review from the Institute of Economic and Social Research

Retailers in U.S. are more efficient

BRITISH retailers probably employ twice as many shop assistants per pound of turnover as their opposite numbers in the U.S., according to an institute study of relative labour productivity in the two economies, Jeremy Stone writes.

The institute's researchers say that compared with the UK's record in other industries—agriculture, extraction, manufacturing, construction, public utilities and transport—this counts as a good British performance.

One reason for U.S. retailers' superior efficiency is that U.S. retail outlets are on average two to three times as large as those in the UK. Productivity rises with turnover through most of the size range so U.S. retailers have the advantage of scale. However, this seems to account for something less than one-third of the measured difference in productivity.

U.S. retailers operate with far smaller numbers of employees per square foot of store. Each worker patrols about 2.6 times as much space, while sales per square foot are similar.

This disparity is thought to reflect a far higher proportion of self-service operations in the U.S. This is described as "greatr consumer partication in the retailing activity."

U.S. superiority is also partly accounted for by greater use of capital per unit of labour; more bricks, mortar and fitting per shop assistant than in Britain.

However, the study rejects the idea that U.S. productivity it higher because of greater specialisation. The general merchandise shop is more important in the U.S. and specialist shops more common in Britain. Nor do the American figures benefit, as has been thought, from a greater proportion of luxury shops, to be expected because of the generally higher U.S. standard of living.

British economy expected to grow by 2.4% this year

THE UK economy is expected to grow by 2.4 per cent this year, appreciably more than was expected in February, says the National Institute of Economic and Social Research in its latest Review, published yesterday, **Max Wilkinson writes.**

The more optimistic projection, which compares with the February forecast of 1.4 per cent growth in the current year, partly reflects the mild stimulus of the March Budget, the institute says.

However, the more optimistic view for this year also reflects substantial revisions to official statistics of recent national output. The institute says these revisions mean that the UK started this year from e higher base than was previously thought. This will mean that average output for this year is boosted, compared with the level last year.

It says that these revisions make little difference to its assessment for the prospects for future years, which would be dogged by slow growth if present policies were to continue.

It is expecting growth in 1984 to fall back to 1.2 per cent, while the annual inflation rate moves steadily up to 8 per cent by the end of the year—twice the most recent figure, thet of April

It says the main engine for the present modest increase in economic activity is the slower pace at which stocks are being run down. The institute's forecast was prepared before the latest stock figures—for the first quarter of this year—became available.

However, it deduced from other data that companies have been reducing stocks much more slowly than at the end of last year. This deduction has been proved correct.

The other main domestic engine of recovery has been consumer spending, but the institute says that, after surprising strength in the second half of last year, this is now likely to weaken. The stimulus, from the abolition of hire purchase controls, to spend on durables probably has already begun to disappear, it says.

The institute adds that it is questionable whether the present weak increase in national output, with unemployment still rising, can properly be called a "recovery."

It has conducted an analysis of five previous recovery periods, which highlights this relative weakness. Eighteen months after the nadir of economic activity, in the summer of 1981, UK output was 2 per cent higher than its lowest level, but still 5 per cent below the previous peak in 1979.

In three of the five previous recovery phases, output had risen by about 10 per cent from its trough in the equivalent period. In each recession, except that of 1975, there had been a substantial increase in output; compared with the preceding peak.

This increase ranged from 16.5 per cent, 18 months after the trough of 1978, to 10 per cent in the 1967 recession. Even in the 1975 recession, there had been a 1 per cent recovery, compared with the level of output at the previous peak.

The institute warns that hopes that the increase in the expected growth rate for this year will develop into lasting recovery, must rest largely on the prospect of e revival in industrial fixed investment. The outlook for investment is a source of concern, not only because of its bearing on the short-term prospects for the economy, which depend on how adequate demand will be in bringing existing capacity into operation. Low investment will, in time, reduce capacity itself and impair the economy's potential for long-run growth.

"It will also make it more difficult to reconcile economic recovery with low inflation. In the short-run, low investment is deflationary, since it results in an immediate loss of aggregate demand, but only in a gradual loss of aggregate supply.

"But, in the longer term, it will tend to add to inflationary pressures through the earlier emergence of bottlenecks if demand revives."

The institute says that the depth of the recession, the climate of uncertainty and high real interest rates have all contributed to the low investment of recent years.

In addition, public investment has been falling continuously for eight years. "Its share of total investment has fallen from 44 per cent to 26 per cent, and its share of national income from 9.5 per cent to under 5 per cent."

The institute discusses the different ways in which investment might be encouraged, and says that measures designed to increase capital spending at the expense of labour would not be appropriate at present.

"Cutting interest rates would be a good start, but under present conditions of surplus capacity and pessimistic expectations, one probably cannot count on more than e modest responsiveness of industrial investment to this form of stimulus."

More could be hoped, it believes, if demand in the economy were increased through a more relaxed fiscal stance. However, it says, companies have to be confident that the growth in demand would last. "Ideally, the rate of recovery should be rapid enough to create expectations of the need for additional capacity, but not so rapid as to arouse doubts as to whether recovery will be sustained."

It also says that a restoration of profit margins is needed to provide businesses with an incentive to invest. "Whether or not profits do improve depends critically on the pressure for wage increases. Any tendency for real wages to rise ahead of productivity would damage the prospects for investment—both directly, by squeezing profits, and indirectly, by generating inflation."

The institute concludes: "At present there are strong arguments for more public investment. The scale on which it has been reduced in recent years was not intended; now would be e good time to catch up.

"Per pound of budget deficit, public investment is a potent means of raising aggregate demand and reducing unemployment—much more so than income tax cuts, for example."

The impact would be concentrated, moreover, on the construction industry, which has a high unemployment rate at present.

For the future, the institute says that there is a case for new methods of public expenditure control, designed not merely to control the public spending total but the current and capital elements separately.

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SUMMARY OF THE FORECAST
Annual percentage change

	Output	Real personal disposable income	Unemployment adult millions 4th qtr	RPI 4th qtr	Current balance £bn fiscal year	Public sector borrow'g requirement £bn
1981	−2.4	−1.7	2.6	11.9	6.0	8.7
1982	0.9	−1.1	2.9	6.2	3.9	9.2
1983	2.4	0.5	3.1	6.5	0.6	7.3
1984	1.2	−0.6	3.2	8.0	1.3	6.1

Nation's debt to the North Sea

IF BRITAIN had not had North Sea oil, unemployment would have been 700,000 higher last year, the inflation rate would have been 1 per centage point higher and national output would have been 5 per cent lower, according to the institute's estimate, **Max Wilkinson writes**

An article in the current review, by F. J. Atkinson, S. J. Brooks and S. G. F. Hall, has tried to simulete what would have happened to the economy in the absence of North Sea oil but assuming that all other policies remained broadly the same.

The authors say it is not clear what would have been the Government's response in the face of such severe difficulties.

However, they say: "Events might well have been taken out of their hands, as they were, for example in 1976, by the collapse of confidence in the foreign exchange markets. The likelihood must be that more deflationary policies would have followed despite even deeper recession."

As an extreme case they say that if it had been decided to curtail public borrowing to the same extent as has been possible with the benefits of oil, an extra £20bn would have had to be raised in taxes last year. This would have added about 1m to the total unemployed.

The authors then ask what would have happened if the Government had used the oil revenues for a radically different purpose, that is, to stimulate economic activity directly rather than to reduce public borrowing.

They have assumed that the whole of oil tax revenues had been divided equally between tax cuts and e rise in public investment. On this assumption, public sector borrowing would have risen to £13bn last year and average inflation would have been 2 percentage points higher at 10 per cent.

Against this, national output would have been nearly 3 per cent higher than was actually the case last year and adult unemployment would have been 2.5m compared with 2.9m.

Caution governs view of OECD prospects despite lower oil prices

THE CUT in oil prices earlier this year has caused the institute to revise its forecast of overall economic growth in Organisation for Economic Co-operation and Development countries cautiously upwards to 1¾ to 2 per cent, writes **Robin Pauley.**

Nevertheless, it warns about being too optimistic about gross domestic product growth on the basis of apparent improvements during the first quarter of this year. Much depended on the winter weather; relatively mild conditions in January, particularly in West Germany and the U.S., contributed significantly to recovery in industrial production and construction.

It is not possible to judge the extent of the impact against that of falling interest rates or to see whether cold weather later on balanced the equation.

The institute cautions: "Gratification at what seems on the face of it to have been an encouraging start to the year must be tempered by reservations about its reliability as an indication of what is to follow."

The institute continues in cautious vein by not revising its output forecast upwards for 1984 in spite of the oil price reductions. This remains at just under 3 per cent for the entire OECD area. This is because there are countries, notably France, which have continued to introduce contractionary fiscal measures in spite of the depressed state of their economies.

Revival should help to relieve budgetary pressures through its effects on tax revenues and welfare payments. However, the institute believes there is little chance of any significant fiscal stimulus by the major countries in the immediate future.

"In particular, there is some reluctance on energy saving as well as fiscal grounds to allow consumers of oil the full benefits of lower prices," the report says.

It predicts that growth this year is likely to arise mainly from the personal sector—consumption and housebuilding—and from movements in stock. Business investment will probably fall still further and exports to non-OECD states, particularly the oil exporters, will still be severely depressed. Acceleration in 1984 should be more evenly balanced.

Among the smaller OECD economies Australia, Spain and Portugal are troubled by the effects of drought and Belgium, Ireland, the Netherlands and Sweden have introduced contractionary budgets in recent months.

Unemployment in the OECD countries seems to have levelled out in the first quarter at below 9 per cent. It was still on an upward trend in West Germany, Italy, the UK and most of the smaller countries. Japan suffered a sharp rise at the start of the year. The rate has stabilised in France for the past 12 months and this year there have been falls in Canada and the U.S. Although unemployment has still not peaked in Western Europe it is likely to be below 9½ per cent in the whole OECD area both this year and next.

Wage increases have slowed markedly in most major countries with the influence of high unemployment reinforced by the deceleration of consumer prices since last autumn. Britain is forecast to have about the average OECD inflation rate (5.2 per cent) for 1983 but in 1984 Britain's rate is forecast as 8.4 per cent against an OECD average of 5.9 per cent.

Dollar prices for exports of manufacturers are expected to rise by 2½ to 3 per cent in 1983 and 4 to 5 per cent next year (after a fall of 1½ to 2 per cent in 1982). Although most countries—notably France, Italy and Japan—will probably increase their export prices more slowly than in 1982 all except the UK are likely to share in the considerable improvement in the OECD states' terms of trade implied for 1983. Prospects in external markets are poor.

Although further falls in U.S. interest rates are possible this year the markets will probably remain "volatile and extremely sensitive" and real interest rates can be expected to stay very high. This will partly affect movements in the foreign exchange markets; the institute assumes the D-mark and the yen will both appreciate by about 10 per cent against the dollar during the next year.

Growth of GDP/GNP in OECD countries
(percentage rise in volume, annual rate)

	U.S.	Canada	Japan	France	W. Germany	Italy	UK	Total	W. Europe
1971-81	2.8	3.7	4.7	3.1	2.5	2.9	1.4	3.1	2.6
1982 year (estimate)	−1.7	−4.8	2.9	1.7	−1.1	−0.3	1.4	−0.3	0.3
1983 year (forecast)	2.5	1.0	3.0	−0.5	0.0	0.5	2.4	1.7	0.8
1984 year (forecast)	3.5	2.8	4.0	1.5	1.8	2.0	1.2	2.8	1.8

FT COMMERCIAL LAW REPORTS

No restraint on Laker's anti-trust action

BRITISH AIRWAYS BOARD v LAKER AIRWAYS LTD AND OTHERS

BRITISH CALEDONIAN AIRWAYS LTD v SAME

Queens Bench Division (Commercial Court): Mr Justice Parker: May 20 1983

A UK airline company operating in the U.S. with U.S. government permission is prima facie subject to U.S. law, and in the absence of UK public, parliamentary or governmental policy to the contrary or infringement of UK sovereignty, the English court will not prevent it from suing UK competitors under U.S. anti-trust law if there is no other forum available to it.

Mr Justice Parker so held when giving judgment for Laker Airways Ltd and dismissing applications by British Airways Board (BA) and British Caledonian Airways Ltd (BC) for injunctions to restrain Laker from continuing anti-trust proceedings against them in the U.S. BA's and BC's claims for a declaration that they were under no liability to Laker were stayed.

* * *

HIS LORDSHIP said that on November 24 1982 Laker commenced proceedings in the U.S. District Court of Columbia against eight defendants, two of which were BA and BC.

Laker claimed that its collapse in February 1982 was brought about by a conspiracy between the defendant airlines. One of its principal allegations was that they had combined to charge fares which were deliberately and uneconomically low in order to damage Laker and cause its financial collapse.

Laker's conspiracy, or "anti-trust," claim could only be pursued in a District Court in America. If prevented from pursuing it there, Laker could not pursue it in the UK or anywhere else.

In actions before the UK courts BA and BC claimed declarations that they were under no liability to Laker, and applied for injunctions to restrain it from continuing the U.S. action.

BA and BC submitted it would be an injustice to them to allow the U.S. action to proceed, and contrary to public policy.

Since 1977 BA, BC and Laker had derived their right to operate scheduled transatlantic air services between the U.S. and UK under the "Bermuda 2" agreement, made between the U.S. and UK governments on July 23 1977.

Under the agreement each government granted specified rights to the other for the purpose of operating scheduled international air services, on certain conditions and under licence. The airlines of one country were to have a fair and equal opportunity to compete with the airlines of the other, but no provision was made as to competition between the airlines of one country *inter se*—a matter which was internal to each country.

BA and BC relied on article 12 of the agreement which provided that tariffs should be established at the lowest level consistent with a high standard of safety and adequate return, taking into account the need to meet competition from other services.

The designated airlines of both countries required tariff approval from their own authorities, the Civil Aeronautics Board in the U.S. and the Civil Aviation Authority in the UK. Both governments were therefore closely involved in the fixing of tariffs.

The foundations of Laker's anti-trust claim were sections 1 and 2 of the Sherman Act 1890, and section 4 of the Clayton Act 1914.

By sections 1 and 4 of the Sherman Act, every trust combination or conspiracy in restraint of trade between the two countries was illegal and a criminal offence, as was a combination or conspiracy to monopolise any part of such trade.

Section 4 of the Clayton Act provided that a person injured by anything forbidden in the anti-trust laws should recover the damage threefold.

The anti-trust action was therefore an action in which triple damages were awarded as of right.

*

The general principles to be applied where a party sought an order restraining another from pursuing proceedings in a foreign country were culled from House of Lords cases: the *Atlantic Star [1974] AC 436*; *McShannon v Rockware Glass [1978] AC 715* and *Castanho v Brown and Root (UK) Ltd [1981] AC 557*.

The jurisdiction to stay proceedings, in the UK or abroad, was an equitable jurisdiction which could be exercised, with caution, when necessary to prevent injustice. Its flexibility was not to be limited or undermined by categorisation or formula.

The question in each case was what did justice require as between the two parties? It was legitimate in some cases to take into account specific matters of public, parliamentary or governmental policy.

Public policy was revealed by the cases: parliamentary policy by legislation, and governmental policy by treaty or convention.

The extent to which governmental policy should be taken into account would be vary limited because rights and obligations depended on the law and not on executive policy.

The UK government regarded the U.S. government as being in breach of its obligations under Bermuda 2 in allowing anti-trust laws to be applied to damage allegedly flowing from tariffs approved under the agreement.

The relationship between anti-trust laws and Bermuda 2 provided no ground for grant of an injunction. An injunction would deprive Laker of a cause of action which could only be asserted in the U.S. Bermuda 2 was not part of UK domestic law and to use it to deprive Laker of the right to pursue a claim would at the very least require a very clear case.

Laker's case did not involve an undermining of Bermuda 2. The final alleged blow to Laker was the frustration of its rescue scheme; that had nothing to do with Bermuda 2.

If it were established that Laker's claim was an invasion of sovereignty, it would follow from *Westinghouse [1978] AC 547* that an injunction should be granted.

Sections 1, 2 and 4 of the Trading Interests Act 1980 gave the Secretary of State powers to counter exorbitant assertions of jurisdiction. Those powers had not been exercised.

By section 5 of the Act no foreign judgment was enforceable in the UK if it was e judgment for multiple damages, on the principle that UK courts would not enforce the penal laws of another country. Section 6 enabled the penal element of damages to be recovered by a defendant in certain circumstances.

But those two sections were no foundation for a submission that anti-trust action based partly on acts committed outside the U.S. by UK companies carrying on business in the U.S., constituted such an invasion of sovereignty that a UK company should be restrained from pursuing its claim.

Section 5 was nothing to do with sovereignty. Parliament had said that the action would not be enforced in the UK, and that the defendant could recover the penal element; but it had not said that the action should not be pursued.

A UK designated airline carrying on business in the U.S. by permission of the U.S. Government must *prima facie* comply with U.S. law or take the consequences.

Public or governmental policy, extra-territoriality, and the penal nature of the remedy, did not avail as special factors.

The essential question was whether it would be an injustice to BA and BC to allow the action against them to proceed.

There was no injustice in allowing BA and BC, if the facts were established, from answering for breach of the law of the country by permission of whose government they were operating. There was no ground for restraining Laker from pursuing its claim.

BC had argued that the action against it was frivolous and vexatious. The evidence before the court was not strong, but it was possible that BC was a party to an agreement that fares would be lowered. The matter must be left for the U.S. court to decide.

Both applications were refused.

For British Airways: Richard Scott QC and Jonathan Sumption (Richards Butler and Co.).

For British Caledonian: Colin Ross-Munro QC and D. T. Donaldson (Herbert Smith and Co.).

For Laker: David Johnson QC, Michael Crystal and Richard Hacker (Durrant Piesse).

For the Attorney-General: Peter Scott QC and Nicholas Bratza (Treasury Solicitor).

BP plants to close in restructure of lubricants business

BY BRIAN GROOM, LABOUR STAFF

BP OIL and its Alexander Duckham subsidiary have agreed in principle to restructure their loss-making lubricant marketing activities, putting 350 of the 850 jobs at risk over the next year to 18 months.

This will mean the closure of three blending plants, three warehouses and three depots, and the concentration of lubricants blending at Duckham's plant at Aldridge, West Midlands.

The announcement has given fresh impetus to the campaign by trade unions against the continued reduction of jobs in the oil and petrochemical industry.

Shop stewards at Shell and BP are pressing *for an industry-wide* union conference to be held in eight weeks time to discuss tougher resistance in all companies, backed by industrial action.

BP said the restructuring had been forced on both companies by general over-capacity, a slow decline of the £450m a year UK lubricants market and aggressive competition. The measures will save £4.5m. BP would not disclose its losses or its market share.

Industry analysts say that in 1981 BP had 8 per cent and Duckham 15 per cent of the motor lubricants market, which itself is 38 per cent of the total market, the rest being largely industrial.

Demand for lubricating oils in the UK declined from 1.03m tonnes in 1979 to 837,000 tonnes in 1981, according to official figures.

BP will consult unions on implementing the plan, which is the latest *in a series of cutbacks*. The company has closed refineries at Belfast and Isle of Grain, is shutting nine oil distribution terminals with the loss of 390 jobs, and is considering the closure, or sale of a third of its petrol stations.

Job losses in other companies have occurred with the closure of Burmah's Ellesmere Port refinery and general workforce reductions, but unions have so far failed to put up substantial resistance.

A one-day national refineries strike planned 18 months ago was called off. Unions said it was postponed, but managements believed there was insufficient support.

Clydesdale firm on Rumasa

By Raymond Hughes, Law Courts Correspondent

CLYDESDALE BANK yesterday renewed its undertaking to the High Court not to pay out on, or part with, a £123,125 bill of exchange drawn by a company in the Rumasa group.

The bill is claimed by Rumasa, the Spanish conglomerate expropriated by the Spanish Government two months ago.

Clydesdale's undertaking will continue while Rumasa tries to serve legal proceedings on two Panamanian companies and a Swiss bank which, together with Clydes*dale, it has sued over the bill.*

Rumasa has been given leave by the court to serve its writ on the Panamanian companies, Ceninver and Heyer Enterprises, through the Banque De Depot Geneve, the only one of the three whose address is known to Rumasa.

When service has been effected Rumasa will, subject to any objection from the three foreign defendants, seek judgment in the action, which will give it possession of the bill.

Clydesdale has been protected against the risk of being sued out of the jurisdiction because of its court undertaking by an unlimited indemnity procured by Rumasa from the *London* branch of the Bank of Bilbao.

Closure threat lifted at Leyland plant

BY OUR LABOUR STAFF

THE THREAT of closure at Leyland Vehicles' Albion axle plant in Glasgow was lifted yesterday when 1,300 strikers voted narrowly to return to work against the advice of local shop stewards.

They accepted a formula worked out at national level last week between Mr Gerry Russell, executive member of the Amalgamated Union of Engineering Workers, and senior management. The strikers will be back at work today.

The peace terms do not rule out compulsory redundancies, but give time to resolve the dispute, which led to the strike two weeks ago.

Leyland wants 110 redundancies among hourly-paid workers. It will wait until July 1, and if there are still insufficient volunteers there will be another national level union-management meeting.

The deadline for the job losses is July 15, and Leyland hopes to get enough volunteers to avoid compulsory redundancies. Ninety-eight have already come forward.

Mr Jim McLean, shop stewards' convener, said after yesterday's mass meeting that as far as he was concerned the position had not changed. He claimed the company was trying to get the principle of compulsory redundancy accepted for use at a future date.

*Stewards fear many more redun*dancies, but Mr McLean said he was not disappointed by yesterday's vote. "We will still fight against compulsory redundancies in the future," he said.

"The workers have been pressurised into this decision for economic reasons because of the management's threat to close the plant."

The return-to-work decision was swung by as few as 50 votes, he said. He claimed there was no rift with national union officials, in spite of the stewards' opposition to the deal.

Mr Joe Mackenzie, the engineering union district secretary, who was involved in last week's national talks, said he was sure compulsory redundancy at the plant could be avoided.

Last week's peace talks came after Leyland's warning that Albion would be closed if the dispute was *not ended by yesterday*, putting the entire future of Leyland Vehicles at risk.

Yesterday's decision means that a threat to lay off 3,000 workers at lorry-making plants at Bathgate, near Edinburgh, and Leyland, Lancashire, which was suspended last week, is also lifted.

Leyland is, at present, fighting to survive as a full-range producer of trucks. Its outlook has been clouded *by a sharp decline in its share of* the home market.

Video disc prices cut

BY JASON CRISP

PHILIPS has cut the recommended price of its video disc players by £50 in an attempt to take advantage of the rising prices of video recorders.

Sales of Philips' Laservision – the only video disc system commercially available in Europe – have been very small compared with the booming market for video recorders (VCRs).

Video discs produce a higher quality picture and have more facilities than a VCR, but cannot be used to record broadcast programmes. At the moment there are only about 200 titles available on Laservision, although this will increase to 300 by the end of the year.

The latest price cut brings the cost of the Philips video disc player down to £299 *for the basic model* and £349 for one with remote control. Pioneer, the Japanese company which also markets a video disc player based on Laservision, sells its model at £530. The most basic VCRs have been available at about £299 until recently.

The price of most Japanese-made VCRs is at present rising by about £50 to £100. This is partly due to the strength of the Japanese yen and to the recent trade agreement on VCRs between the EEC and Japan. Part of that agreement required Japanese manufacturers to raise their "floor prices" to match those of European-made VCRs. Philips and Grundig make VCRs in Europe, but have a relatively small share of the market.

United Tech. move to aid Peterborough

By Anthony Moreton, Regional Affairs Editor

UNITED Technologies, the U.S. aerospace and electronics group, is to expand its Peterborough manufacturing operations with a further 125,000 sq. ft. factory thereby creating up to 300 jobs in an area plagued with high unemployment.

Some established local companies have cut their workforces substantially. Peter Brotherhood, the heavy engine concern, has announced cuts of one-third of its staff, while Baker Perkins is likely to shed 100 workers within the next six months.

Peterborough unemployment – 16.8 per cent of the adult male population is jobless – is in contrast to the 18,000 new jobs created since it was granted "new town" status in 1967, a move designed to generate growth in specified areas in the UK with *Government-backed incentives* such as grants and planning facilities.

The town's population is now 124,000 with a *scaled-down target* of an additional 25,000. Most of the expansion has been based on service industries, providing jobs primarily for women, although the United Technologies move will generate work mainly for men.

With the establishment of many major retailers in Peterborough, more people from outlying areas are now using it as a regional shopping, entertainment and business base.

Strictly a family affair

Tim Dickson on why Bryan Wilson is so intent on keeping his company private

Bryan Wilson (seated) and his brother Kenneth: Takeover approaches have "never got anywhere."

YOU CAN search Companies House from top to bottom, admits Bryan Wilson ruefully, but you won't find a single filing system there from his company's famous Railex range.

This is perhaps ironic since Wilson believes the file (or fiche as it now is) of Southport-based Frank Wilson (Filing), where he is chairman, has been as closely scanned by searchers over the years as any.

"We've had dozens and dozens of approaches from interested bidders and from banks and institutions wanting to lend us money," he explains, adding with a satisfied grin, "They've never got anywhere."

The reason is simple enough. For Frank Wilson (Filing), which this year celebrates its 75th anniversary, is about as tightly controlled as any family company can be.

Founded by the father of the current chairman, its articles of association require all directors to be members of the Wilson family and forbid any shares to be held outside the tightly knit Wilson clan (any change would have to be unanimous). If Bryan Wilson has anything to do with the matter — and at the moment he certainly does — that is the way things are likely to remain for the foreseeable future.

At a time when many established family companies are scurrying to cash in their holdings on the Unlisted Securities Market (USM) — or alternatively are seeking protection against the economic certainties of the late 20th century in the form of a friendly takeover — it is unusual to find the management of a family business in such a strong position to retain its independence and control.

Frank Wilson (Filing), moreover, continues to be successful by concentrating exclusively on a product range (lateral, rotary and shelf filing and storage systems) which some might feel singularly unexciting in an era of information technology. And although not strictly speaking small by the Government's definition — it has 260 employees — its family management style has bucked the trend in an industry increasingly dominated by major groups.

(Competitors include Twinlock, rescued by the National Enterprise Board in 1976 but now quoted on the USM; Rexel and Eastlight, both parts of Ofrex whose parent company is Gallaher of the U.S.; and Vickers Furniture).

Wilson is reluctant to talk figures but the turnover of the company is believed to be not far short of £10m — of which £2m is accounted for by exports through the company's subsidiary Elite Manufacturing.

He says the main key to the company's virtually uninterrupted growth since the Second World War lies in its direct sales approach. "We don't operate through local dealers so you cannot buy any of our products off the shelf," he explains. "We call our salesman 'consultants' and we spend a lot of trouble training them to do the job. They go in and advise customers on their filing problems. This includes providing full reports, with drawings and specifications, ensuring that an efficient and economic system is installed. We don't believe you can leave the job to agents."

Reacting to new market opportunities has also played a vital part in the 75 years since founder Frank first began selling imported files from Holland. His sons Bryan and Kenneth (the latter now managing director) set about redesigning the company's products after the war, giving birth to (among others) the original lateral filing system the Railex "Hook on" (each file has a book rather like a coathanger and special rails allow each file to be removed and replaced quickly and simply).

The challenge, meanwhile, from computers — and the nightmarish prospect for a company such as Frank Wilson that all office information might one day be stored on an easy-to-use disk — leaves the present chairman undaunted. "I don't believe in the paperless office," he says confidently. "I am quite convinced that there will always be a demand for our products, even if requirements change. We do a lot of business, for example, selling files specially designed to store computer print-outs."

Wilson also produces a design specifically intended for the storage of microfiche (even if its salesmen have not yet been able to penetrate Companies House).

While demand now appears satisfactory, the recession did not go unnoticed at the company's three Southport factories. Sales dropped off suddenly in the middle of 1980 but the management's reaction was equally unpredictable. "I immediately doubled our advertising expenditure, started a direct mail campaign and took on extra salesmen. Fortunately, it paid off and business picked up in response."

Generally speaking, the Wilsons are a cautious lot believing in steady progress rather than making a dramatic dash for growth. "We could perhaps be much, much bigger now if we had taken certain opportunities along the way. But at the same time we could have got ourselves into trouble," says Bryan Wilson, pointing to the past troubles of Twinlock and its subsidiary Shannon.

"Financial institutions have approached us with plans to spend thousands of pounds on re-equipping our factories. What they often forget is that before you make anything you have got to be sure you can sell it. Selling definitely comes first."

Wilson is clearly proud of the success his family company has achieved without outside shareholders. "Even with 1 per cent in somebody else's hands you might have to take a different view," he says disapprovingly.

Non-family employees, of course, are denied the ultimate incentive of a seat on the board but Wilson points out that the company operates a bonus scheme to reward hard work and has inspired a high degree of employee loyalty. "Many have had fathers in the business and there are two families which have contributed as many people over the years as the Wilsons."

Wilson is unimpressed by those who preach the "conventional" wisdom that small companies need outside finance and advice to prosper. "We have always been able to grow perfectly satisfactorily from our own resources and since we have never known any other way it is impossible to tell what would have happened in other circumstances. As long as I'm around I don't think it will change."

Tax planning software

A COMPUTER software programme was launched yesterday which, its manufacturers claim, could save companies millions of pounds.

Taxbase, as the new product is called, is designed to help businesses calculate their corporation tax liability and is the result of co-operation since last July between Oyez Longman, the specialist publishing company (and like the Financial Times, part of the S. Pearson Group), accountants Blackstone Franks Smith and Company and a one-year-old London software business, Quantec Systems and Software.

Hitherto the complexity of and frequent changes made to corporation tax have posed problems for software specialists. But the three "partners" behind Taxbase have made the breakthrough with a product which, they claim, will help 90 per cent of companies and can be bought for around £695 (with an annual updateable service for 50 per cent of the initial cost).

Julian Platt, managing director of Oyez Longman, for which this project is a software "first," feels the programme will appeal both direct to companies and to their advisers. It will, he adds, make efficient tax planning possible for a much wider range of businesses.

To the best of his knowledge there is no competitor on the market, though rival Tolley has announced that it is working on one.

David Franks, of Blackstone Franks Smith, says most companies leave their tax computation until after the year end. "The new programme will enable them to ask 'what if' questions and consider taking appropriate action to save tax in advance." Taxbase can do the calculations quickly in a format acceptable to the Inland Revenue.

Robin Cooke-Hurle, who founded Quantec after leaving Rank Xerox last year, says the 1983 Finance Act changes have already been accommodated in the programme. Taxbase—which consists of a floppy disk and a manual—is compatible with most leading microcomputers.

Tim Dickson

A sector under stress

Stewart Fleming reports on the West German small business scene in the first of a five-part series on major countries

EARLY LAST MONTH when the West German Chamber of Industry and Commerce presented Chancellor Helmut Kohl's Government with a list of what it would like the new Government to do to help small business one of its priorities was a thorough overhaul of the existing system of supports and subsidies.

Support for medium- and small-sized companies has been a constant element of West German economic policy dating back in part to the days of Marshall Aid and the efforts that had to be made to rebuild a war-shattered economy.

Promoting the medium-sized company sector has also been a high economic priority, reflecting the longstanding belief which has been founded on the solid evidence of the last 30 years in the course of which hundreds of entrepreneurs have built up flourishing companies, big companies such as Nixdorf Computer, as well as smaller ones such as the Schroff Group.

It has been a political priority too that small companies should be fostered, not only because they are seen as an integral part of the foundations of the democratic society which emerged from the Nazi epoch, but also because small business plays such a big role in the economy

According to a recent report by the German Banking Association, 95 per cent of West German companies have what Germans call "mittelstandschen" characteristics.

These can be seen in terms of the size of the company — sales revenues under the DM 300m level and fewer than say 1,000 employees, or in their ownership characteristics—normally such businesses are owned and operated by the same entrepreneur or his family.

More important than the absolute number of such firms however, is their role in the economy. The Banking Association suggested that as much as two-thirds of the jobs in West Germany are in medium-sized companies and that they produce some two thirds of gross national product.

Such figures are open to question for much depends on where you draw the line between medium- and large-sized firms. A study by the Institute for Research into Small Businesses for example suggested that companies with up to 499 employees or DM 100m sales accounted for 41 per cent of capital investment in the Federal Republic and 64 per cent of employment and 48 per cent of gross domestic product.

The political weight of this segment of the society is considerable, and has found human expression, for example, in the shape of the Economics Minister Count Otto Lambsdorff, who was instrumental in bringing about the break-up of the Social Democrat/Free Democrat Government last year.

It is in part this political weight which accounts for the vast array of government support programmes which medium-sized companies can draw on, the diversity of which provoked the Chamber of Industry and Commerce to call for the thorough overhaul and simplification of the schemes on the grounds that they are so numerous that they are confusing the intended recipients.

The Federal small business programme includes subsidised loans of up to DM 200,000 to help businessmen set up new firms, loans to promote regional development through supporting small businessess, loans to promote the creation of apprentice jobs, equity capital investment funds to support the foundation of new companies, as well as research and develop-range of advisory services aimed at helping small firms increase productivity for example.

Some of the programmes are run through the Kreditanstalt für Wiederaufbau, a government-owned banking institution which was initially created to deploy Marshall Aid funds in the Federal Republic but which in recent years has increasingly taken on the role of a kind of "development bank" for small business.

In 1981 for example it distributed some DM 5.1bn in interest rate subsidised loans to the sector.

Alongside the Federal Government's programme, the individual states each have their own small business support programmes. The relatively small state of Rheinland Pfalz, for example, publishes a 48-page booklet outlining the dozens of different schemes it operates.

If the small business lobby has its way it will be one of the main beneficiaries of the change of government and it has wasted no time encouraging a pro-business Government in Bonn to make sure the small company sector is not overlooked.

It naturally shares in industry's demands that taxes which are not related to profitability should be sharply reduced. It also wants to see the tax system made less progressive.

It is also pressing hard to block government subsidies to big companies and industries in difficulties. The medium-sized shipbuilding firms, for example, are particularly opposed to special help for the half dozen or so large shipbuilding companies which are currently in financial difficulties, arguing that such a programme could only be to the disadvantage of the smaller firms, most of whom have reacted more flexibly and successfully to the slump in the world shipbuilding industry.

Sensitivity to the problems of the medium-sized company is high, not only because they have been hit hard in the recession and by the bankruptcy wave in the country — last year a record 12,000 companies failed — but also because they are seen to be facing severe challenges if they are to rebuild profitability and their equity capital base as well as cope with technological changes and pressures to modernise plant.

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By Order of the Receiver, D. H. Slade

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Telephone: 062982 2226
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Excellent product lines
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— WANTED —
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NESTLÉ S.A., CHAM AND VEVEY, SWITZERLAND

1. Payment of dividend

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per share	SFr.96.—
less Swiss federal withholding tax of 35%	SFr.33.60
net	SFr.62.40

This dividend is payable against delivery of coupon No. 26 for all bearer shares.

On the other hand, all dividends payable on registered share certificates without coupons will be paid by bank transfer to the shareholder's account or by way of an assignment in accordance with the instructions received from the shareholder.

The dividends are payable in Swiss Francs. Outside Switzerland Paying Agents will pay against coupons and assignments in local currency at the rate of exchange prevailing on the day of presentation; bank transfers will be effected value 24th May 1983 in local currency at the rate of exchange prevailing on that date.

Coupon No. 26 and assignment may be presented as from 24th May 1983 to the following Paying Agents of the Company:

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Union Bank of Switzerland, Zurich, and its branch offices,
Swiss Volksbaok, Bern, and its branch offices,
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2. Exchange of bearer shares

After payment of the Nestlé S.A. bearer shares coupon No. 26, the coupon sheets attached to the aforesaid Nestlé S.A. shares and to the Unilac, Inc. ordinary shares attached thereto will have been used up. It has accordingly been decided to have the present certificates substituted by new ones bearing double coupons numbered 1 to 21. The new Nestlé/Unilac bearer shares will be handed out free of charge against presentation of the old Nestlé/Unilac bearer shares and of the renewal-coupons attached thereto as from 24th May 1983 by all the above-mentioned Paying Agents.

The new shares will not bear the same numbers as the old ones. The banks with whom bearer shares have been deposited will automatically carry out the substitution.

As from 1st January 1984, only the new Nestlé/Unilac bearer shares with double coupons, numbered 1 to 21, can be traded at the Stock Exchange.

Cham and Vevey,
19th May 1983

The Board of Directors

UNILAC, INC.

PANAMA

1. Payment of dividend

Notice is hereby given to shareholders that following a resolution passed by the Board of Directors on 29th April 1983

a dividend for the year 1982 of U.S.$8.00

per common share will be paid to them as from 24th May 1983. The payment of this dividend will be effected in the same way as for the Nestlé bearer or registered shares to which the Unilac shares are attached.

In conformity with the Company's Articles of Incorporation, Coupon No. 26 and assignment should be presented for payment at the same time as Nestlé S.A.'s dividend Coupon No. 26, or the assignment, as the case may be.

This dividend is payable in U.S. dollars. Outside the United States, Paying Agents will pay in local currency at the rate of exchange prevailing on the day of presentation; bank transfers shall be effected in local currency at the rate of exchange prevailing on 24th May 1983.

2. Exchange of bearer shares attached to Nestlé S.A. bearer shares

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Panama City,
19th May 1983

The Board of Directors

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THE ARTS

Cannes Festival/Nigel Andrews

Palais revolution rings the changes

Midway through the 1983 Cannes Film Festival, French medical students protesting at cuts in government grants upped and stormed the Palais des Festivals, occupying for an hour or two the interior and throwing red paint at the exterior.

It was just what Cannes needed. Festival-goers suddenly found that the droning honeycomb of the new Palais had been stung into animation at last and was responding to their wishes. Alternatives were found for the grisly crack-of-dawn screenings; the giant show-piece Lumiere Auditorium was at last flung open to the Press; and though none of this had anything at all to do with the medical students' grievances—aimed more at Mitterrand than Moviedom—it did show the classic knock-on effect of revolutionary action in excitable France, recalling in miniature *les évènements de '68*.

And as if on cue, avant garde films promptly stormed the Main Competition in the second week. Robert Bresson at 75 is still original enough to flabbergast the public and provoke catcalls from the gallery. His *L'Argent* is loosely, nay loopily, based on a Tolstoy story and in hieratic Bressonian style shows a young man's life unravelled by the accidental tragedy of passing a forged banknote.

Yvon (Christian Patey) goes from bad to worse in modern France before jack-knifing into redemption—the classic Bresson progression — as he clanks through prison, a bungled bank robbery, more prison, and finally a flurry of hideous murders. The film brandishes bowed heads, bruised voices, a soundtrack alternately chaotic and crystalline, cuts deadpan and gnomic; and you are left gasping for a lifeline before a filmmaker who dares to score the drama in primary dramatic plainsong and leave *you* to create the moral responses and humanist half tones.

Jean-Hugues Anglade and Vittorio Mezzogiorno in a scene from "L'Homme Blesse"

Andrei Tarkovsky's Italian-made *Nostalgia*, his first film outside Russia, is even better. Narrative virtually dissolves in this portrait of a Russian musicologist (Oleg Jankovsky) visiting Northern Italy to research an 18th century composer's life.

Marooned in a spa hotel with a huge and bubbling sulphur pool, he hobnobs with the local madman (Erland Josephson), with a beautiful guide-interpreter (Domiziana Giordano) and with Tarkovsky's amazing gallery of dream-allegoric effects: the water that swirls through buildings or laps ruined churches, the ghostly mists fingering remembered valleys, the steam sputtering from the Dantesque sulphur pool.

The film's leitmotiven are fire and water—the demon dangers of creation, the maternal comforts of regression—and Tarkovsky creates a stunning modern variant on the Icarus myth: with earth and ocean the elements we all leave and return to, and fire—as here in the madman's climactic self immolation in protest at the world's "madness" — the devilish baptism that gives us fulfilment and destruction in the same breath.

Other lens wielding *illuminati* at Cannes favoured a move into self parody rather than self extension or renewal. Shohei Imamura's *The Ballad of Narayana*, inexplicably given the Golden Palm, was sheer Japanese lunacy plonked down—or up—in a primitive mountain village. Rape: cooked vipers: murder; burial alive: and the deathless squawk of family quarrels as Mum (Sumiko Sakamoto) insists that Number One Son take her up to the mountain top to die of exposure. (It's traditional in this region when your time has come.)

Ann Hui's *Boat People* from Hong Kong was saner but plainer. Casseroling into an action melodrama the reports of refugees about atrocities in modern Vietnam, Hui gives us a steaming bowl of hearsay. Oddly—unlike her great St Vitus dance impromptus *The Secret* and *The Spooky Bunch*—the film doesn't quite take off. But it's a well crafted piece of pop propagandist *sturm und drang*, likely to give the Jane Fondas of this world a heart attack.

From Turkey Yilmaz Guney has taken up his bed of pain and walked: to France, where he now lives and works and has made *Le Mur*. Last year's Golden Palm winner with *Yol*, the long-imprisoned Guney seems to me a great cause-rallier rather than a great director. Hooray for his unlidding of Turkish prison atrocity in this new film; hooray for its take-a-long-swallow humanitarianism. But, creatively, what a glum old bird Guney is: with neither the eyes of Tarkovsky nor the ears of Bresson for the truly unexpected detail that blossoms into the universal.

Nought but a whirlwind ride is possible through the other also-rans of the competition. Claude Goretta's *La Mort de Mario Ricci* steers steel-haired Gian Mario Volonte into Switzerland to play a TV reporter tormented by conscience, or perhaps by the painfully slow progress of the movie.

Peter Weir's *The Year of Living Dangerously* tosses another reporter at us, Australian Mel Gibson playing political Snakes and Ladders in Sukarno's Indonesia in the 1960s. But the film is fogged by silly melodrama and travelogue atmospherics, and tends, like its hero, to keep forgetting its whereabouts on the gameboard.

So does Victor Erice's *The South* from Spain, first film in 10 years from the director of *Spirit of the Beehive*. Erice is here playing a game of Assemble the Identikit Spanish Film. Little girl growing up amid *spooks and wraiths* of family memory; iconic postwar impress of the Franco régime; dotty aunts and grandmothers garbed in black. But he seems to lose interest early on in all but the ravishing elegiac photography by Jose Luis Alcaine.

Better were two competition films in which eccentricity occasionally launched itself into genius. Ruy Guerra's *Erendira*, with an original script by Gabriel Garcia Marquez, is the feral fairy-tale of an imperious *grande dame* (Irene Papas) who extorts a lifetime's repayment from the grand-daughter who accidentally burned down her mansion. The picaresque *bildungsromon* of a reluctant prostitute duly unfolds, amid studio mist, surreal exteriors and Super-Tat settings that look as if they were designed by Salvador Dali in stormy partnership with Ken Russell. The movie is damn silly one moment, transcendently gorgeous the next.

L'Homme Blesse comes to us from another master of the avant garde bizarre, ex-stage producer Patrice Chereau of *Ring* and *Lulu* fame. His feature debut erupts before us like an all gay version of the latter—a tale of atonal passions among young homosexuals that thunders through public loos, panelled manors and every piquant demi-monde in between. Erratic but arresting.

Finally, two uproarious American movies found far out on the festival fringe. Alan Rudolph's documentary *Return Engagement* celebrates the lecture tour double act, lately born in the U.S., of G. Gordon (Watergate) Liddy and Timothy (Flower Power) Leary: two born-to-spar opposites from Right and Left who stand up on stage together nightly and loudhail and argue their different lunatic fringe ideologies. The film is pyrotechnic and irresistible.

So is actor Robert Duvall's writing-directing debut *Angelo My Love*; an urban ethnic comedy about Gypsies (and acted by them) and one of the funniest offbeat American films since *Annie Hall*. It'll soon come to London—more about it then.

Polish Chamber Orchestra/Radio 3

Andrew Clements

Under its conductor, Jerzy Maksymiuk, the Polish Chamber Orchestra is currently on a short tour of Britain. It stopped off at St John's, Smith Square, yesterday, to give the BBC lunchtime concert — an appealing, nicely balanced programme for string orchestra with the divertimento of its countrywoman, Grazyna Bacewicz, as its centrepiece.

The Divertimento, written in 1965, four years before the composer's death, is an attractive essay; pithy and good humoured with a Bartokian neo-classicism overlaid with some of the tricks and string effects that Bacewicz evidently picked up from her younger compatriots. The three movements are concise, to the point of terseness, but there is nevertheless room for a sustained elegiac slow movement, which is given added impact by its ebullient surroundings.

The Polish players delivered it as they did the rest of their programme, with considerable attention to detail, especially rhythmic, and generous quantities of solid, smooth tone. The foundation of the ensemble is a strong bass line, full of character, as it demonstrated in Mozart's C minor adagio and fugue K546 where the emotional coolness of the approach gave added emphasis to the finer points of articulation.

It seems that Britten's Frank Bridge Variations are a particular favourite of East European string bands. The Polish Chamber Orchestra playing here was anything but cool, bringing considerable panache and virtuosity to the pastiches and fine grained ensemble to the remaining numbers. There was some crisp cameo playing too from the orchestra's leader Jan Stanienda.

Certainly the impression given in this short programme was of a first rate orchestra conducted and led with great gusto. Few lunchtime recitals at St John's this season have conveyed such genuine exuberance nor balanced their programmes with such tact and intelligence.

Yo Yo Ma/Elizabeth Hall

David Murray

Yo Yo Ma has been playing at the Bach's six Suites for accompanied cello the past two Sunday evenings, and one's only regret during Sunday night's recital was having missed the previous instalment. Still only 28, this Franco-Chinese cellist has a mature command of Bach's noble pieces that bears comparison with anyone's, and an astounding technical security that makes light — and sense of passages that tax—everybody (listeners too). He does not wear his heart on his sleeve as boldly as, say, Rostropovich; the declamatory stretches here were less memorable than the dance-movements. But of course most of the moments in the Suites *are* dances, and his playing was distinguished not only by its full-bloodied rhythmic *élan*, but by its exact appreciation of the various gaits of those Baroque favourites.

That is not to say that Yo Yo Ma was averse to treating certain of Bach's dances as elaborated fantasies: a slow Allemande, for example, could become a melancholy soliloquy, rhetorically free and plangent. More often, though, the defining rhythm was a strong, flexible backbone, never wrenched to accommodate extra effects. The new character of each successive movement was felt in its first bars, its special step immediately heard; somehow even the cellist's diction was subtly re-adjusted for every piece. He seems to like excited slithers in Gigues, which meant that the gigue-conclusion of each Suite had a nervous volatility unlike the sturdy spring of the other dances.

The brilliant Prelude of the last Suite was dazzling, though the only small traces of strain in the evening came with its high thumb positions. On the Sarabande of that Suite, Yo Yo Ma lavished warm sentiment; the Sarabande of the 5th Suite was by contrast severe and disconsolate. All the Courantes were lightly pointed and charming, the Gavottes muscular but neat. There was no plain repetition from one end of the recital to the other—fresh thoughts enlivened every repeat, apparently spontaneous and natural. The impression was not that the artist was affixing personal comments, but that the music itself disclosed new currents.

Council of Europe Exhibition/William Packer

Portugal's rich pickings

Portugal first began to probe her way towards new worlds in the very earliest years of the 15th century. The wonderful epic voyages came later, but the process which would eventually shift the balance of trade, and thus of power, irrevocably away from the Mediterranean into wider seas, was under way.

Portugal is now a member of the Council of Europe, one of twenty-one, and with "The Portuguese Discoveries and Renaissance Europe," the seventeenth of the council's historical and cultural exhibitions that have taken place over thirty years, she takes her turn as host, in Lisbon, and principal subject. Loans have come in not only from throughout the council, but from the world at large and have been organised with an admirable finesse into a series of splendid displays.

It was the Iberian merchantmen, the Spaniard and the Portuguese, who gave example to the intrepid, the rich pickings besides: but it is astonishing to realise quite how early their predecessors began the great work of navigation and exploration upon which they based their profit.

Africa came first, with Ceuta won in the year of Agincourt, 1415, and the diocese established three years later; then it was out into the Atlantic and south, to the Canaries in the 1420s, the Azores settled in 1439, Lagos founded in 1455, the Cape Verde Islands settled by the early 1460s.

So it went on, conquest, colonisation and competition marching hand in hand with trade: Fernao Gomes commissioned to explore the Guinea Coast in 1469, the Castilian fleet defeated at Mina in 1478, traffic in sugar between Madeira and Marseilles established by 1480. By 1487, just a year after Christopher Columbus first appeared in Spain, the Portuguese were at the Cape of Good Hope.

Then of course it was the whole New World, and by 1493, with Columbus now on his second voyage to the West, the kings of Spain and Portugal could talk of how best to divide that world between themselves. Portuguese energy and ambition were now expressed in all directions, with Vasco da Gama off the Malabar Coast in 1498 having opened up the sea route to India, Amerigo Vespucci off Venezuela in 1499 and Brazil in 1501.

The domestic effect was enormous: 500 ships on the Tagus; great public works—the Hieronymite Monastery on the waterfront at Belem, that extraordinary masterpiece of Manueline extravagance, only the most conspicuous example; trading posts in Europe; Tristan da Cunha's embassy to Rome the envy of the Pope and the astonishment of the civilised world in its lavish magnificence.

The gold poured in upon Lisbon, and what it bought for Portugal was not mere material riches, but a unique cultural position. Always a trading post in European affairs but hardly central, she was now the great crossroads and entrepôt of Europe and the World.

The exhibits are housed in such a way as to place the very architecture of Portugal's great period, such little as survived the terrible earthquake of 1755, at the centre of attention. The documentation and historical exposition of Portugal's relation to Renaissance Europe, and her contemporary view of the world, occupies the Convent of The Mother of God.

Of her European relations, *those* with the *Low Countries* would seem to have been especially close, with a trading centre formally set up in Antwerp for the first 50 years of the 16th century, and certainly they brought in many lovely things: the wonderful painted carving in wood and stone saints and angels, intimate in scale and touchingly natural in imagery and treatment; the poignant realism too of the great paintings of the Flemish masters. And there was so much else besides—armour from Germany and Italy, Turkey carpets, French tapestry.

The curious House of Facets, its facade covered in diamond-like projections, shows us the Aviz Dynasty, and the diplomatic and political background. The Tower of Belem, set in the Tagus close to the point where the great voyages began, holds the armour and weapons of the 15th and 16th centuries. In the Museum of Ancient Art is set out the cultural relation to Europe, and the wider effects of the discoveries upon the Renaissance.

Flemish 15th-century painted wood angel

But those European connections supply barely the half of it. The excitement comes with all the stuff that poured in from, it would seem, pretty well everywhere else.

There are the bronzes from Benin, and exquisitely carved ivories from the Ivory Coast, ebony furniture from Mombassa, porcelain from Persia, silver, fabric and embroidery from Goa, and through Macao came all the goods of China and Japan, the silks, the lacquer, the porcelain, the rich and multi-coloured stuffs, and the painted screens which, with a wonderful frisson of recognition, bring those ancient merchant venturers to life across the centuries.

For wherever they penetrated they left their mark not only in terms of social change, but directly in the record of the exotic art itself that they treasured and so brought back. There we see the Portuguese himself to the life, in his tall hat and baggy pantaloons, and with the likeably lugubrious western face that we can see today in the Lisbon streets. And though he appears in the Indian carving of Brazil, the Goanese tapestry and the statuary of Benin with an equal felicity, it is in the painted screens of pre-Shogun Japan that we see him most exactly and wittily fixed, going about his business in all its circumstantial detail.

In the Mosteiro dos Jeronimos is the full documentation of the voyages themselves, their impedimenta and their rewards: the maps that were so necessary, and the scientific instruments — the astrolabe from the Madre de Deus, which sank near Nagasaki in 1610, is the emblem of this festival—the botanical specimens, and artefact after wonderful artefact.

Incomplete and somewhat chaotic as it was in the Press days just before its official opening, the exhibition was remarkable and rewarding nevertheless, its scope more than clear and its arrangement beautiful. It remains on show until October 2 and must be one of the principal justifications of a visit to Lisbon: not to be missed.

F.A. Cup Final/Television

Michael Coveney

When it comes to the theatrical highlights of the English soccer season, I am an unshakeable traditionalist. I always watch it on BBC 1 and, as usual, the commentator John Motson provided poignant information where required: Manchester United's Ray Wilkins had scored only four goals since joining the club before curling in what seemed at the time to be an unanswerably famous winner; the day's hero, Stevens of Brighton, had scored the same total in his entire career before punching the late equalizer.

Motson also spotted the anxiety among the United team the moment Brighton went unexpectedly ahead in the 14th minute. Although Jimmy Case's two ugly fouls on Wilkins were unforgiveable, Whiteside's cynical implantation of studs on the Brighton right back Ramsey merited a booking at least.

Whiteside further spoilt a bustling display by handling the ball on two separate occasions to set up a successful shot on goal.

The best supplementary comments during the World Cup were, in fact, supplied by the United manager, Ron Atkinson. He did what Jimmy Hill on Saturday signally failed to do, that is inform the television viewer of the patterns of play off the ball and out of camera range. As a nail-biting participant on the Wembley bench, Mr Atkinson appeared consumed by doubts and insecurities. This was reflected in his players' attitude on the pitch.

On the other hand, Jimmy Melia looked prepared to accept the outcome as befits a manager already destined to Division Two next season, and his strong-hearted players, can reflect on excellent performances.

On ITV, Ian St John confirmed his status as an astute and informative host during the build-up. Particularly memorable was his reminiscent ambulation down the tunnel and on to the turf with Jimmy Tarbuck and Jimmy Greaves.

My favourite shot of the afternoon was of a benign Sir Matt Busby quietly enjoying Wilkins's goal. The Archbishop of Canterbury, seated next to the Brighton chairman Mike Bamber looked particularly dismayed at the prospect of extra time. I somehow got the impression he would not be returning on Thursday night.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

May 20–26

LONDON

Royal Opera, Covent Garden: Die Meistersinger, conducted by Colin Davis, features a tried and trusted cast of Royal Opera Wagnerians (Popp, Sotin, Tear, Evans) with the novelty of Robert Llosfalvy's first London Walther. The revival of Peter Wood's dim production of Don Giovanni is illuminated by a notable cast – Plowright, Te Kanawa, McLaughlin as the ladies, Samuel Ramey and Stafford Dean as master and servant. (2401066).

English National Opera, Coliseum: The last two performances of the London season are of two well-tried ENO productions – Die Fledermaus, and the perenially fresh Magic Flute (with some youthful newcomers, notably Joan Rodgers and Glenn Winslade, among the cast). (8363161).

Royal Opera House, Covent Garden: Sadler's Wells Royal Ballet with a triple bill about haunted and politically confined people, rape and toys coming to life (Tue).

Sadler's Wells, Rosebery Avenue: London Contemporary Dance with some splendid dances and splendid dancers. (2788916).

NEW YORK

New York City Ballet: The season continues under its new director Peter Martins with 40 works from the repertory, ranging from Balanchine's first American work, Serenade (1934), to four pieces premiered in winter, by Martins, d'Amboise and Duell. New York State Theater, Lincoln Center (8705570).

Alvin Ailey American Dance Theatre (City Center): Three local and one company premiere are part of the spring season of a company that has parlayed American gospel, Broadway and classical dance themes into a national institution. (55th E. of 7th Av, 5817907).

CHICAGO

Barber of Seville (Athenaeum): Chicago Opera Theater production, in English, stars Cynthia Munzer as Rosina, Robert Orth as Figaro and Abram Morales as Count Almaviva, with Mark Flint conducting. (2936 N. Southport, 6630555).

The Next Step (Auditorium Theatre): Dancer and choreographer Carrie Stern shows an Eastern influence in her work that combines autobiography with homage to American popular arts as well as reflections on such contemporary themes as the Iran-Iraq war. (70 E. Congress, 9222110).

PARIS

Les Indes Galantes. Rameau's opera-ballet in a new production conducted by Philippe Herreweghe. Choreography, Viola Farber. TMP-Chatelet (2611983).

Poulenc's Dialogues Des Carmelites with the role of Blanche de la Force sung by Maria Ewing and that of Madame de Croissy by Regine Crespin alternates with Offenbach's La Belle Helene in a new production conducted by Alain Lomard at the Opera Comique (8960311).

Colourful Mimes, acrobats and dancers of the Peking Opera at the Palais des Congres (7381456).

WEST GERMANY

Berlin Deutsche Oper: Der Freischütz has Siegfried Jerusalem in the part of Max and Edda Moser as Agathe. Arabella features Gundula Janowitz and Franz Ferdinand Nentwig. Tosca, sung in Italian, brings together Janis Martin and Giacomo Aragall. Die Hochzeit des Figaro, a Götz Friedrich production, has Lucia Peacock and Wolfgang Brendel. (34381).

Hamburg Staatsoper: Der Barbier von Sevilla with a widely-praised cast headed by David Rendall, is triumphantly revived. Die Wundersame Schusterfrau by Bern Alois Zimmermann, one of Germany's leading contemporary composers, is also revived. Die Hochzeit des Figaro has Judith Beckmann and Harald Stamm in the main parts. (351151).

Cologne opera: Umberto Giordano's rarely-played Andrea Chenier, produced by Willy Decker, is premiering this week, Nello Santi conducting. Further Performances are Don Pasquale and Der Freischütz with Siegfried Jerusalem as Max. (20761).

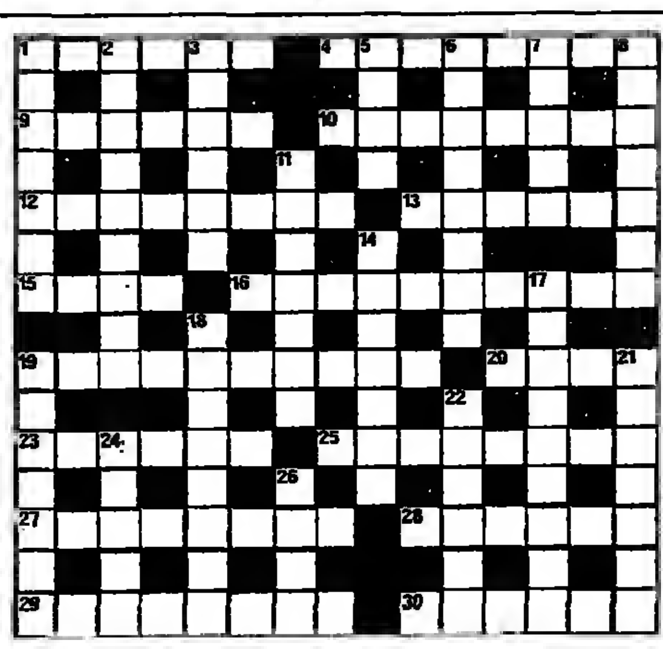
VIENNA

Staatsoper (5324/2655): Der Fliegende Holländer, Tannhäuser, Elektra.

Volksoper (5324/2657): Der Zigeunerbaron, Die Csardasfürstin, Wiener Blut, Der Wildschütz.

Festival of Clowns in the Jesuiten Wiese, Frater. Mummenschanz (Tue and Wed); Theatre Paravent (Wed).

F.T. CROSSWORD PUZZLE No. 5,179



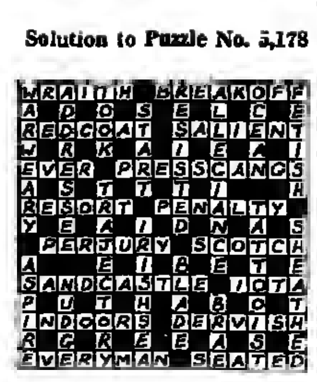
ACROSS

1 Does one jump on board it? (6)
4 Girl to be rich after wedding? Sounds like it (8)
9 Doubting Carlyle? (6)
10 Bed (single) two beginners get on for dance (8)
12 Her Northern playwright gets the bird (8)
13 You could often see 25 if you do (6)
15 Anathema not getting return call in this (4)
16 It's odd, I meet people pondering (10)
19 Former City share is a curse (10)
20 These days it leads to an opening (4)
23 Press the fourth (6)
25 His orders are sometimes last (8)
27 Was composition returned? It's cutting (5-3)
28 Credit Goddess for having right wine mixing bowl (6)
29 What may be paid for rare sceptres (8)
30 Irish town worker goes to the edge (6)

DOWN

1 Pugilist's intention in Herts? (7)
2 Plan what to watch? (9)
3 Drunk—please slip away (6)
5 County star turns up (4)
6 Opposed claim in one movement (8)
7 Poor student ordered to lowest deck (5)
8 Milton's prison horrible on all sides round (7)
11 Licence for University department (7)
14 Religious wag seen on the water (7)
17 It's a pointer when defender doesn't open (9)
18 Material obtained on recent trip (8)
19 He may make one cross (7)
21 Biting butter is child's play in China (7)
22 Little girl on river with fashionable coin (6)
24 "Shall fold their—like the Arabs" (Longfellow) (5)
26 Players who start cheating are soon taped (4)

Solution to Puzzle No. 5,178



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Tuesday May 24 1983

Britain's good luck story

PRIMITIVE TRIBES look to their leaders above all to bring them good luck; and modern electorates may not be very different. If Mrs Thatcher wins the coming election as handsomely as the polls suggest, then according to the National Institute of Economic and Social Research, she should thank the "happy accident of geology" which brought North Sea oil on stream during her first term of office. It was oil which raised the exchange rate, reduced inflation and so improved real incomes; the resolute approach had very little to do with it.

Luck was not the whole story, though. It was rather a combination of luck and bad management, it is implied in this review, which may become a minor election issue in itself. The appraisal section of the review expresses strong worries about the continuing low level of productive investment, which could impede future growth and cause inflationary bottlenecks.

So far as this can be attributed to policies which have impeded growth in the cause of reduced inflation, it can be argued that today's well-being for consumers has been bought at the cost of future economic performance; it will help the Government to win the election, but pose some difficult problems for the second term. The institute therefore suggests a measured stimulus to growth through higher public sector capital formation, which it argues will do much more for employment and demand than a similar expenditure on tax cuts. Steady, credible growth, it is hoped, would inspire the private sector to take up the running with its own investment in due course.

Arguments

Is this a fair assessment of the Government's record? Nobody, including Mrs Thatcher, would deny that oil has brought major benefits to the UK economy, and the institute has raised interesting questions in its attempt to measure those benefits. However, we do not find its answers at all convincing in detail. On the question of management, the institute could claim to be speaking for our trading partners and indeed for the CBI in calling for a measure of expansion. There is a case here which needs answering.

The arguments on current policy cover familiar ground. Investment is depressed all over the industrialised world—in the U.S. for example, the corporate sector has made virtually no use of outside funds so far this year. The main reasons are also world-wide—the combination of slow growth and very high real interest rates which can be blamed partly on the international debt crisis and partly on the enormous U.S. fiscal deficit. Mrs Thatcher has already said that she intends to press these issues at Williamsburg later this week.

Meanwhile, however, there has been a sharp cut in public sector capital formation in this country, which is mainly an unintended side-effect of efforts to check current spending. This makes little sense either in terms of opportunity costs—the resources are idle, and prices on tenders are keener than for many years—or in terms of cyclical management. There does seem to be an opportunity here to do something for growth and employment at negligible risk to inflation or the balance of payments.

However, the major charge is that the Government's whole attack on inflation has been an optical illusion, masking the beneficial effects of oil. In a sense this attack is not entirely helpful to the Opposition, for the "hindcast" in the review suggests the oil flows have indeed stimulated activity in the rest of the economy. In this sense the oil has not been "wasted." Without oil, we would not only have had lower living standards, but nearly 4m unemployed.

Unfortunately this view does not seem plausible. With no oil, and a much lower real exchange rate, inflation would have been higher and living standards lower; but it is very hard to believe that non-oil output would also have been lower in these circumstances. It is also hard to believe that the Government's stance has had no influence on attitudes in the labour market. It is puzzling, too, that the institute does not even mention the end of exchange controls, the occumulation of overseas assets, and the result for the exchange rate. In short, the analysis probably tells us as much about the institute's economic model as about Government policy. Neither leaves much room for complacency.

Dusty answer for Paris

PRESIDENT Francois Mitterrand of France has been working to marshal European support behind his wish to encourage an international process of reflation, not least with an eye on the Williamsburg summit next weekend. Hardly surprisingly, the representatives of European Socialist governments whom he invited to Paris last week endorsed reflation and called on the U.S. to bring down interest rates by reducing its budget deficits.

Since President Mitterrand will be the only Socialist head of government at Williamsburg and since most of those at the Paris meeting were minor economic powers, the French success there was not especially significant. More interest attaches to the French attempt to bring West Germany into the same camp.

Paris made three important requests to Dr Helmut Kohl, the West German Chancellor, during his visit earlier this month. He was asked to reflate, in the hope that rising demand in West Germany would suck in imports and decrease the gaping French deficit in trade with West Germany. He was asked to support the French initiative, previously announced by President Mitterrand, to seek to set up a less volatile international exchange rate regime. And he was asked to agree to ending the system of monetary compensation amounts raised on intra-EEC trade in farm goods as a measure to prevent exchange rate re-alignments filtering through to the agricultural policy.

President Mitterrand received a dusty answer on all three counts. Monetary compensation amounts protect Bonn's farmers against the effects of successive franc devaluations and revaluations of the D-Mark. With further French devaluations not to be excluded, the Germans, not surprisingly, gave no grounds. It is difficult to argue with their tactical reasoning, however dubious an addition to the already dubious Common Agricultural Policy these MCAs may be.

The attempt to encourage Bonn to reflate the German economy is reminiscent of similar proposals in the mid-1970s when the attempt to make Germany into a locomotive for international expansion proved short-lived. Bonn has left little doubt this time that stable money and fiscal rectitude are closer to its heart than a problematical German attempt to solve the difficulties of others.

Doubts

Most interest attaches to Bonn's reluctance to place itself behind M Mitterrand's plea for firmer exchange rates. The idea has appeal in Bonn, as has the plea to the U.S., most recently re-iterated by the European socialists, to do something about interest rates. If the Germans remained coy, they must have had two reasons.

First, they may continue to harbour doubts about the anti-inflationary determination of the French Government. It makes no sense to call for a new Bretton Woods unless you can bring inflation rates into line with each other at a low level. France has a long way to go before falling in with that.

Second, and more important, Dr Kohl and his cabinet may rightly hesitate to add to existing U.S.-European difficulties by siding with France in a trans-atlantic clash about exchange rates and interest rates. The need to manoeuvre skilfully between Washington and Paris has been a constant theme in German foreign policy for at least 20 years.

The U.S. with its nuclear umbrella is the ultimate guarantor of West German security. That knowledge inevitably restricts Bonn's freedom of action. But long before the advent of the Reagan Administration Bonn had to think about the possibility that the U.S. might tire of its self-assumed responsibilities in Europe.

By bringing France into a more cordial relationship with the mainstream of Nato, President Mitterrand has made this dilemma less pressing. Given the central importance of Franco-German relations to Europe and the West, that is entirely to the good. The effect would be further reinforced if M Mitterrand continued to set his face against any relapse into inflationary policies and protectionism.

FOREIGN AFFAIRS

Mexico—a long haul ahead

By Ian Davidson

AFTER THE PANICS of 1982, the anxieties of the international banking community over the Mexican debt problem seem to be subsiding. The new Government under President Miguel de la Madrid has taken energetic deflationary measures, the country is meeting most of the performance targets set to fit in with the IMF programme, and the current slice of the $5bn jumbo bank loan is being released. Other countries, like Brazil, may still be causing major worries, but for the moment it seems as if the heat if off Mexico.

But if the relief now being expressed by some New York bankers smacks of an element of complacency, it is not shared by people in Mexico City. Naturally, the authorities are satisfied with what has been done so far to turn the corner, and with those who were at the sharp end of the debt renegotiation, this satisfaction is almost exuberant. But no one denies that the real problems lie ahead, in the management of the domestic economic and political system, for as far as the eye can see. The next three months are regarded as critical on the oil price and interest rate front. In the longer run there are major structural problems for which there is no easy, let alone obvious, solution and which pose an unprecedented political challenge.

Real incomes will suffer a sharp fall this year

"The optimist in Mexico today," according to one local banker, "is a man who is worried about *next* year. . . ."

The most immediate nexus of anxiety is the wages-inflation equation. According to IMF targets, inflation should come down from around 100 per cent in 1982 to about 55 per cent this year, but it is already clear that this target will be missed by a wide margin; some estimates put this year's inflation rate in the 75-85 per cent bracket. As a result, it is already being conceded in private, not merely that the next increase in the minimum wage may have to be brought forward from July to June and raised from 12½ to 18 per cent, but that a third increase may become necessary before the end of the year.

At the same time, it is also becoming clear that the Government's deflationary programme is proving much more severe than was anticipated only a few months ago. According to the IMF programme, the Mexican economy ought to be registering zero growth this year, in itself an almost unprecedented experience for a country which enjoyed 6-8 per cent growth throughout the 1970s. Senior officials concede, however, that the current outlook is for negative growth this year, which could be anything from 3½ to 5 per cent. Some independent analysts predict a decline in gross domestic product of 6 per cent, with a fall in industrial output of 12 per cent.

The net result is that real personal incomes will suffer a very sharp fall this year, magnified by the fact that the population (currently about 72m) is growing at around 2.5 per cent a year. This must place serious strains on the political system, though there are mitigating factors which should make it easier for Mexico to take the strain than an industrialised country could.

The first is that, while the capital is one of the world's largest urban agglomerations with 15m inhabitants and still growing at around 4 per cent a year, about a third of the population is rural. Since half the rural population lives by subsistence farming, and since the extended family remains a firmly-entrenched institution, there is an element of cushioning for the hardships implicit in the deflationary programme. There are some reports of a partial flow-back of people from Mexico City to the countryside.

One reason for the continued high inflation rate (apart from the drop in the exchange rate from 25 pesos to the U.S. dollar 18 months ago to 150 on the free market today), is the speed at which the Government has been liberalising prices and removing subsidies. But for the urban poor the pain is being eased by the maintenance of heavy subsidies for essential basics like tortillas and metro fares.

Least cushioned of all are the middle classes: "they," according to a senior official, "are broke." Some might argue that the middle classes deserve to be broke, since it was they who did best out of the lush and lavish 1970s, when a grossly undervalued peso gave them access to luxury imports and foreign travel on a scale out of reach to their counterparts in many industrialised countries, and thus helped contribute to the current debt crisis. Nevertheless, it is not surprising that, in last year's elections, the right-wing opposition National Action Party (PAN) registered a strong protest vote, though nothing like strong enough to disturb the overwhelming majority enjoyed for half a century by the ruling Institutional Revolutionary Party (PRI).

But the major long-term problem is unemployment, which is already high, and is bound to grow. Just how high, is uncertain, in the absence of unemployment benefit, but one estimate puts the unemployed and the under-employed at considerably more than half the potential working population. Many of the under-employed may be able to get by with part-time jobs and other marginal activities, and the wholly unemployed may not exceed 15 per cent of the work force. Nevertheless, nearly 1m joined the job market last year, more than a million will join this year, and the numbers will continue to rise in the years ahead. The Government is devoting over 20 per cent of this year's budget on public works job creation schemes, but even if it lives up to its claim to create 700,000 jobs, which many doubt, it will still fail to keep up with demand. The twin pressures of deflation and population growth are bound to add substantially to the pool of under- and unemployed for some years ahead.

President Miguel de la Madrid is the third President in a row to have inherited a crisis, and the first for many years not to enjoy a honeymoon period

To those who ask whether social strains may not cause political problems, there is a standard Mexican answer. For 50 years the country has had, by Latin American standards, an unparalleled record of political stability based on a broadly democratic system; the PRI's claim to legitimacy based on the revolution which broke out in 1910, is unchallengeable; and its tentacular hold on every last corner of Mexican society, from the trade unions to the peasantry, is unshakable. If there were to be sporadic or localised trouble, it could be handled within the system.

Even critics of the system acknowledge the general validity of this picture. "This is an authoritarian system, based on institutional populism," says one, "but totally different from those of Chile or Argentina. Mexico works by inclusionist methods, where political conflicts take place inside the regime, by negotiation, co-operation, mediation patronage and trade-offs. There *is* repression, and people suspected of subversion do 'disappear', though on a small scale compared with Argentina; but repression is not the explanation for the stability of the system."

Nevertheless, the question remains whether the system is in the best of shape for handling economic and social strains which are likely to be severe in the short run and cumulative in the long run. Since in Mexico the President is the all-powerful godfather of the machine, this question really means: has the crisis damaged the standing of the presidency?

President Miguel de la Madrid is the third President in a row to have inherited a crisis bequeathed by his predecessor. When Luis Echeverria came to power in 1970, the country was still suffering the trauma of the 1968 Tlatelolco massacre, when troops gunned down hundreds of demonstrating students. When President Jose Lopez Portillo came to power in 1976, he inherited an international debt crisis and an IMF programme; when he left office last year, he bequeathed an even bigger debt crisis to his successor, multiplied by a national scandal at the proliferation of corruption at every level of society, right up to the top.

An element of corruption is, no doubt, the inevitable concomitant of a system which is heavily dependent on patronage. "Agricultural policy," says a senior member of the Government, "whether for water, seed, insecticide or credit, is based 100 per cent on corruption. Well, perhaps 98 per cent. . . ." The trouble is that when billions of pesos and dollars were sloshing around the system in the late-70s oil boom, there were only too many opportunities for abuses on an outrageous scale.

One conspicuous example, though only one, is "Dog Hill," a prominent hill overlooking Mexico City, where President Lopez Portillo built himself an estate consisting of four mansions, an observatory and a vast library, at a cost estimated at several million dollars. "Dog Hill" is, of course, only a symptomatic nick-name: when the economic crisis boiled up at the beginning of last year, the President vowed to defend the peso "like a dog"—only a matter of weeks before introducing a massive devaluation.

If "Dog Hill" was "the worst political mistake this century" (according to a minister in the new Government), the second worst was Lopez Portillo's nationalisation of the banks last September, when he blamed them for the crisis by accusing them of being "treacherous moneybags." Given that in Mexico's demonology, the private sector may be tolerated but only the state has the legitimacy of the so-called Revolution, it was perhaps not surprising that a desperate President would look for such a scapegoat. The trouble is that the banks were not responsible for the crisis, their nationalisation can only undermine the new Government's attempts to attract the foreign investment which will be so badly needed for the future, and the shrinkage of the private sector will further reduce the availability of additional scapegoats.

President Miguel de la Madrid has moved against corruption through a new Controllership which is investigating the misdeeds of the past, and already a number of largish fish have been caught. But it is already being conceded in private that it will not be possible to pin any specific blame on the previous president; that would only cause more damage to a system whose legitimacy has already been tarnished.

In the new conditions of economic stringency, corruption on a really grand scale is likely to be rarer than in the past, even without the new team's clean-up efforts. But it is recognised that the structural crisis also calls for political reforms, taking the country in a more pluralistic direction, with a bigger role for the opposition both on the left and the right.

Congress now less of a rubber stamp institution

Some steps in this direction were made by the previous administration, and the Congress is now less of a rubber-stamp institution than in the past. But it is difficult to envisage much more pluralism without a significant reduction in the powers of the presidency. The fact that no President may serve more than one term seems a safeguard against tyranny; but the fact that the same ban applies to members of Congress, and that the incoming President can and does vet the party's list of congressional candidates, means that his power is almost unchallengeable while in office. A political machine which operates on the basis of an oligarchy of revolving cliques can hardly take easily to a dilution of the spoils system.

President Miguel de la Madrid has 5½ years left in which to drag Mexico out of the hole dug by his predecessor. It will not be easy. Despite his personal reputation for honesty, he is the first President for a long time not to enjoy a popular honeymoon during his first year in office. And apart from the stain of corruption, and the strains of austerity and unemployment, he faces another major problem: the burden of repaying Mexico's rescheduled debts will peak in his final two years in office. But perhaps he will be saved by a world recovery and another boom in Mexico's oil income.

Men & Matters

Mercourial

Melina Mercouri reclined back in the Greek ambassador's sofa. Yes, she had seen Lord Belstead at the Foreign Office.

No, she had not asked him to return the Elgin Marbles.

Which is just as well for the British Museum as the good lord would hardly have stood a chance.

Lion haired, buttercup dressed, huge eyes and a gravelly voice which the Sirens would have emulated if they had known how—Greece's Minister of Culture was on irresistible form. She was also on her best behaviour.

On Sunday night she had delivered the Herbert Read memorial lecture at the Institute of Contemporary Arts. It was a far cry from her previous London appearance in 1968 when, in Trafalgar Square, she stood before a crowd denouncing the colonels' dictatorship.

This time the star of the unforgettable film Never on Sunday was talking eclectically of culture and democracy.

She could easily have used the occasion to launch in Britain her socialist government's campaign to recover the bits of the Parthenon in the Bloomsbury precincts of the Museum.

She did not do so. But no one misunderstood her pay-off line apologising for her accent: "I hear it and I am reminded of what Dylan Thomas said of a British broadcaster: 'He speaks as if he had the Elgin Marbles in his mouth.'"

So why didn't she? Well, there were elections on here. Once a new government was in place it would be very different. Plans for a building to house and protect the marbles in Greece were on hand. "I have the earth," she says—and obviously she has the determination too.

Lunch had been a heady affair with actresses Vanessa Redgrave and Janet Suzman, director Jules Dassin (Mercouri's husband), and politician Chris Price and sculptor Ralph Brown, both of whom are on a committee working for the return of the marbles to Greece.

Ambassador Nicos Kyriazidis has only limited time for the British argument that the marbles have been saved by being in London. He says "they were coloured to make them stand out from the friese. And what happened? Some cleaning lady was ordered to use caustic soda to strip them down."

In fairness to the British Museum that bit of vandalism is reputed to have occurred in the 19th Century. But Kyriazidis sees the matter as if the Greeks had part of Stonehenge.

Which all means that, even if Lord Belstead cannot guarantee to be back in the Foreign Office after the elections, Melina can.

Claret coup

Not for the first time in my City career the evidence is that an investment in fine wines can, if astutely chosen, beat almost everything else.

Christie's obliges with prices for more than 5,000 vintage wines in its 1983 price index.

Unsurprisingly, supermarket plonk has no place in this pocket-sized stoutly-bound publication (£5.50 from Christie's) guide to big living.

Fine Bordeaux dominates the new index with hundreds of chateaux listed, together with prices for 125 vintages from 1806 on.

But port is not far behind with some breath-taking rises in prices over the last 12 years.

Looking at the Bordeaux section: a 1949 Chateau Latour fetched upwards of £180 a dozen in 1971. The current price is beyond £900. A Chateau Margaux 1945 selling at £300 a dozen in 1972 is expected to fetch a hefty £1,240 10 years on.

Among the ports a Graham of 1927 would have sold at £75 a dozen in 1971 but is priced by Christie's at £440 today.

Hong Kong blues

Lord MacLehose — irreverently known in some Hong Kong quarters to this day as Big Mac —casts a long shadow over the governorship of the colony.

Sir Edward Youde, who succeeded him as governor last year has marked the first anniversary of taking office by giving a full-scale TV interview. It proved soothing, anodyne stuff—it was also decisively upstaged by a punchy lecture on Hong Kong's uncertain future delivered at the same time in London by Lord MacLehose.

MacLehose's shoes were big ones—literally as well as figuratively—for Youde to fill. Rather than try to emulate his burly predecessor's outgoing style Youde has kept his head down in Government House.

He is a formal, reserved man and he has won respect from subordinates for his efficient administrative grasp.

But he has disappointed some people in the colony outside government who hoped for charismatic, powerful leadership during what are troubled times for the British territory.

Youde puts in a ten to 12 hour day and sometimes takes work to bed with him.

His financial reward for a punishing schedule is a salary of approximately £70,000 a year tax-free plus an expense allowance of £20,000.

He has two residences, government house and a country lodge at Fanling in the New Territories, plus the use of a boat.

The upkeep of government house and Fanling will cost around £500,000 this year. However Youde has to set an economic example to the rest of Hong Kong's public sector. His pay rise this year is just 2.2 per cent—the smallest in the whole of the colony's civil service.

"Must you contradict everything I say—I'm not the Foreign Secretary you know"

Top van

A modest van belonging to the National Coal Board chugs round London carrying the proud registration number NCB 1.

"Has the chairman opted for humble transport?" I asked the board.

Not exactly. Apparently the coal board decided to retire a grand but ageing limousine which was used to carry VIPs and had the special number plate.

Sentiment prevailed and the plate was switched to the board's errands van.

PR service

"Well . . . what exactly is a PR man?"

"Actually I don't know . . . But I'll get back to you."

Observer

Letters to the Editor

Support for smaller companies

From Sir Harold Wilson

Sir,—In your issue of May 16 yon record the Government'a decision not to merge "its two major support services for small companies," the Department of Industry Small Firms Service and the Council for Small Industries in Rural Areas (*COSIRA*).

Any Government of any party determined to help the creation and growth of smell ventures should act on the lines of two reports by the Committee to *review the Financial Institutions*: "The financing of small firms," and the final report of the committee.

The interim report made 15 recommendations. Of those so *far not implemented I would* mention our reference to means allowing proprietors of small companies to raise outside capital without risking their overall control; wider facilities for over the counter markets; the creation of a small firm investment company; a publicly underwritten loan guarantee scheme; and more responsiveness by Export Credits Guarantee Department to the needs of small firms. The National Research end Development Corporation, which I established when at the old Board of Trade, should, we urged, review its practices to enable it to give more help to small businesses, both directly and in its relations with "other financial institutions in related fields."

Our main proposal in this interim report, however, was for an English Development Agency, with financial powers and objectives similar to those of the amall business divisions of the Welsh and Scottisb Development Agencies. As an interim step, increased scope and powers should be given to COSIRA formed in 1968, and financed througb Lloyd George's Development Commission. The existing powers limited loans to those employing not more than 20 skilled workers, in rural areas and county towns not exceeding 15,000 inhabitants. Rural areas were tightly defined in terms unrelated to the present day; we therefore recommended not only a widening of the *scope for assistance* in those areas, hut also recommended the establishment of a similar body to function in urban areas, to be known as COSURBA. When the report was debated in Parliament, support for these proposals came from both sides of the House. Unfortunately, no action has been taken on them.

In my view, the most nrgent, in view of the present high rate of unemployment, is the establishment of COSURBA and its endowment with powers to encourage the establishment of new small industries and, where such firms were proving successful, to help them to grow.

(Sir) Harold Wilson.
5, Ashley Gardens,
Ambroseden Avenue, SW1.

Jobs: the story behind the figures

From Mr E. Atkin

Sir,—Your article on Jobs: the story behind the figures (*May 20*), *neatly encapsulates* the debate on the jobless that is currently being aired as part of the Election. I doubt that a single employer or unemployed person (both of whom are surely central to the topic) feel even remotely involved with concepts as discussed.

Is any company which has improved productivity by 25 per cent in the past four years by getting rid of 35 per cent of its workforce *suddenly going to* rehire them all? Are public works (roads, sewers, rail electrification) really going to employ millions of people of all ages (mainly over 45 and under 25)? Only the most draconian and long-lasting import controls are going to hring ahout new motorcycle factories, camera factories etc. The only way to hring about a massive and sudden rednction in the level of unemployment is to have an equally massive and sudden reduction in the level of the pound.

Were the pound to be worth $1 or DM 2.50 cars would be shipped from Halewood to Cologne not vice versa, Dunlop would close German factories rather then UK ones, the coal board could export coal and British shipbuilders could compete without subsidies.

Unfortunately the downside would be a significant rednction in the standard of living of almost everyone in the land (possibly incinding even a lot of the unemployed), considerable inflation, reduction in the value of savings and the uncertainties of a *rapidly changing* exchange rate.

These are things which some political parties find more acceptable than others and most people readily understand. How much more bonest it would be to condnct the debate in these terms.

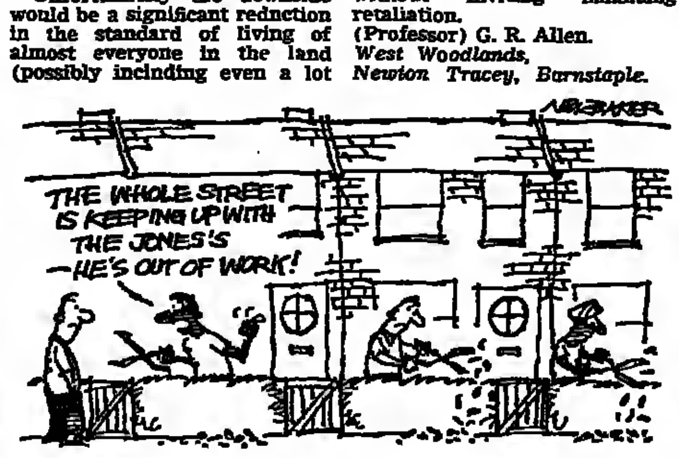
E. Atkin.
4, Redington Road, NW3.

From Professor G. Allen

Sir,—Your centre page chart (May 20) on UK and EEC unemployment rstes is most misleading. By showing only 1979-83 you fail to indicate the single most important fact of our relative performance.

UK unemployment started to rise relatively to that in the Organisation for Economic Cooperation and Development as a whole in the late 1960s, slowly at first hut accelerating sharply from 1974 onwards. On this hasis present UK unemployment reflects elmost entirely world macro-economic conditions and our own chronic structural weakness in industry and labour markets. In these circumstances all but a very modest pump-priming is unlikely to be effective unless, of course, we believe that we can turn to protectionist measures without inviting halancing retaliation.

(Professor) G. R. Allen.
West Woodlands,
Newion Tracey, Barnstaple.



Portable pensions for all

From Messrs. P. Chappell, P. Darwin and N. Vinson.

Sir,—Having lit the fuse, it seems only right that we should respond to the fireworks that *have followed the publication* of our report on portable pensions: Barry Riley and Eric Short (May 14) correctly analysed the well-known difficulties but perhaps some of our critics have not read our detailed proposal.

We accept absolutely that early leavers, high paid mobile workers and inflation protection for pensioners all represent issues which need a solution: happily, our own proposals do help towards a resolution of these problems for an individual who chooses to accept them.

But our prime interest was to restore a sense of individual involvement and some freedom to manoeuvre to all employees in occupational schemes in respect of what is often their single largest asset, albeit a contingent one. There is a great and justified pressure in favour of personal home ownership and direct financial participation at the place of work; once it is accepted that a pension is earned, as of right, over *an individual's working* life, should we not exert the same pressure to encourage ownership opportunities for an individual's deferred savings?

Great play is made of the guaranteed certainty of *a final* salary scheme as compared with the risks (why no mention of the possible rewards) of a money purchase scheme. Two-thirds final salary is in any *event a* mirage for most employees and guarantees are illusory unless the wealth is created to honour them: our own proposal must lead to a wider understanding of the meaning of thrift and of wealth creation.

We do, all too well, understand how final salary schemes are financed under the technical description of aggregate funding—though we suspect that the average younger employee required to join a contributory occupational scheme does not realise that for him the employer is "spending nothing" (Lord Byers' own words). Joining *an association to average* risk, the foundation of the assurance industry, may be fully justified: but is it really in the public interest to provide tax shelter for a policy of deliberate, but undisclosed and apparently incalculable, cross-subsidisation (older preferred to younger, women to men, stayers to leavers, flyers to plodders)? Just as the self-employed are entitled to make *annnal provisions* up to an agreed percentage of earnings, so we believe each employed individual should have the same annual opportunity; whether the contribution is paid by him or hy his employer, on his behalf, to a fund of his choice is irrelevant.

Since, under our proposals, either the same or e greater amount of resource would be set aside each year towards *retirement provision*, it follows inexorably that the aggregate resources provided to pay occupational pensions would be at least the same. We accept that they might be distributed differently, but we would argue more equitably, than under the present schemes.

We have never urged a sudden change or a steam-rollered decision—our proposals are based on evolution and freedom of choice, in the old-fashioned belief that an open society is better served if individuals can have the opportunity to make their own mistakes and achieve their own successes.

Philip Chappell
Philip Darwin
Nigel Vinson
Centre for Policy Studies,
8 Wilfred Street, SW1.

From the Chairman, Martin Paterson Associates

Sir,—Mr Darwin (May 17) justifies his aversion to final salary schemes by observing that even their supposed virtue—namely the guarantee of a pension linked to rising salary—is as much full of uncertainty as the benefit of a personal money purchase scheme, on the grounds that until the day or year before retirement no employee can know what his final salary will be. Indeed be does not, and that of course is the whole point of a final salary scheme. In neither scheme does one know bow much the pension will he, but *in* one scheme one does know it will be sufficient in reletion to the income it has to replace.

The money purchase and the final salary scheme represent *widely different* approaches to the way employee pensions can be calculated. It is not possible to say that either is right or wrong, since this must depend on individual circumstances and objectives: in particular the employer's financial resources, and the character and size of work force he employs.

But the type of scheme which may work well for the self employed will not necessarily do so for the employee. The self employed, like Mr Darwin, can to some extent control their income and the time at which they finally retire and have to rely on pension. An employee does not have the same flexibility and is therefore more heavily dependent on an assurance that his pay will be replaced by an adeqnate income at a *particular point* in time. An employee with a personal pension policy would not have that assurance. It would only require a burst of inflation in the years leading up to retirement for that income to he seriously undermined, while other employees retiring in more favourable times might enjoy a bonanza.

The point that all these comparisons bring out, whether they focus on changing or continuous employment, is that it is not possible to calculate pensions in a way which is equiteble for all nnless we have control over inflation.

Martin Paterson,
10, Buckingham Place, SW1.

Attitudes to the Inland Revenue

From Mr A. Nelson

Sir,—Sir Lawrence Airey (May 20) is too ready to shower his department with self-congratulation because the correspondence *following* his invitation to the pnblic to write to him on the subject of whether or not an Inland Revenue official had failed to distinguish adequately between *tax evasion* and tax *planning* was minute. I imagine that anyone who was tempted to do so finally concluded that the exercise would be a futile waste of time.

The real tronble lies not with officers of the Inland Revenne, most of wbom in my experience are individually reasonable enough. The trouble lies with what I would describe as the corporste spirit which invests that department. That corporate spirit is all too ready to take the line that fiddling is rife to the point of being universal, and that business is largely dishonest. One has only to look at *the propaganda which issues* from the Inland Revenne concerning the so-called black economy which certainly exists, and on no small scale, but which the Inland Revenue constantly exaggerates on the one hand, and the damaging attitude adopted hy the Revenue to wbat it conceives to be the problem of international tax avoidance on the other hand.

It is clear enough that its blandishments concerning the former are an attempt to condition the public into an acceptance of such things as attacks npon various self-employed groups.

Recently, for example, I have bad two or three cases of men who becoming redundant *have* set themselves np in business and have allowed a conple of years to go by before they have obtained professional advice on their accountancy and tax affairs, being *treated as* tax dodgers for no other reason than this small and I think in the circumstances, reasonable lapse of time.

The international avoidance *problem, which recently crystallised* in the upstream loan problem, is more serious and seems to betray a lack of sensitivity as to the needs and problems of large scale business, which to my mind is carried to a point wbere in the interests of tax gathering the Inland Revenue seems prepared to do actoal, and perhaps substantial, damage to the economy.

A. W. Nelson.
Hedgerows,
Orchard Road,
Pratts Bottom, Kent.

An index of paranoia

From Mr T. Tarring

Sir,—I was interested in Malcolm Rutherford'a analysis (May 16) of the poll into causes for concern. It occurred *to me that if you add all the* numbers together you could develop a "paranoia index" and it comes out as follows:—

Italy	355
Holland	306
U.S.	297
Germany	288
France	284
Spain	275
Japan	271
UK	239
Norway	193

We should not be surprised that the league is led by the volatile Italians or on reflection that the Americans are so highly placed—after all they have more to lose than most of us.

I *think on the whole* I am pleased that the UK is at the bottom of this particular league table with the self-sufficient and phlegmatic Norwegians. But of course it may be a case of "If you can keep your head when all about you are losing theirs, yon don't know what's going on around here."

T. J. Tarring.
"Robin Hill,"
South Road,
St. George's Hill,
Weybridge, Surrey.

Settlements on the West Bank

From Mr E. Reader

Sir,—Your Israeli correspondent (May 16) bases his letter on a fallacy—one which I trust you will permit me to refute.

The fallacy is that Israel has any legal right to establish settlements in West Bank territory at all.

The fact is that tha West Bank is occupied territory and that Israeli acquisition of any part of that territory for permanent settlement amounts to *annexation*, and thus is a violation of international law.

Any excuse based on secure frontiers or hiblical Israel is totally invalid: no state has the right to take the land of others, whatever strength it may possess, and Israel should be no excepion. The only legally sustainahle boundaries of Israel are those defined in UN Resolution 181.

E. A. Reader.
10, Birkdale Avenue,
Pinner, Middlesex.

Conservative Party principles

From Mr C. Murray

Sir,—Thank you Mr J. White (May 17) for pointing out Mr Scargill's woeful ignorance of history and putting the record straight on the meaning of and the actualities of *Nazism*.

On the eve of the 1983 election, and of 1984, we are now in danger of bringing to power a party, many of whose tenets, as pointed out by Mr White and as set out in *Labour's Manifesto* (published in full on May 17) bear an uncanny resemblance to those of the National German Socialist Workers' Party. Not only is the programme similar but *also* the tactics, with Rent-a-mob agitators wherever Mrs Thatcher chooses to go, as witness the frightening and distasteful behaviour at the Airey Neave unveiling.

The difference in 1983 as compared to the 1930s which saw the National German Socialist Workers' Party'a inexorable rise to power, is that Britain's Socialist Labour Party is supported, not opposed, by the *Communist Party*. It *is down to* the British electorate to now vote for the same principles for which it fought during the second world war, for democracy and self-determination, *the freedom of the individual* under the law; only the Conservative Party represents those principles. The prospect of the new style Labour Government now represented in miniature by tha *Greater London* and Sheffield Councils, is truly horrendous.

Christopher J. Murray
"Churchside,"
Front Street, Ingleton,
Darlington, Co Durham.

Advertising company results

From the Legal Adviser, Institute of Practitioners in Advertising

Sir,—The announcement by tbe Independent Broadcasting Authority (May 18) that companies, *if they* are listed on the UK Stock Exchange, can advertise their results, is to be welcomed. Clearly greater flexihility was needed and the IBA is to be congratulated for not *dragging its feet* on the matter.

In one important respect, bowever, the changes do not go far enough. In particular, the relaxation should have been extended to major companies quoted on certain foreign stock *exchanges*. There are many highly reputable and substantial companies trading in this country whose shares are not quoted bere. These companies might well wish to place corporate advertisements, one element of which might be to present e financial picture of their companies.

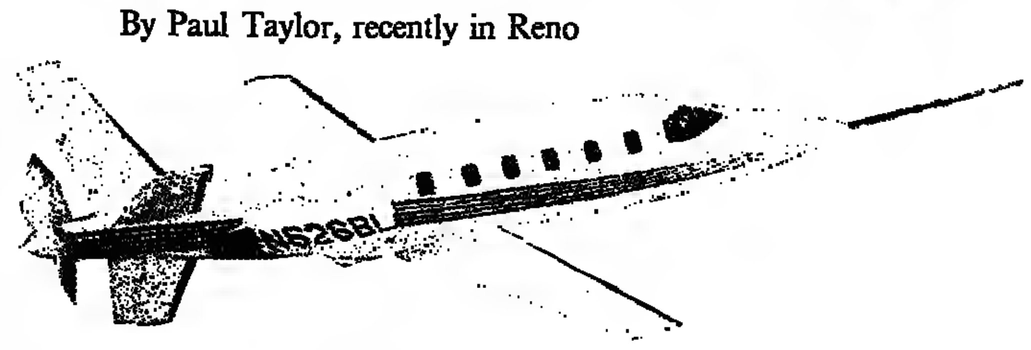
It is hard to see why such companies cannot, subject to suitable safeguards, publicise their previous year'a results and it is to be boped that before too long the IBA will look at this one again.

Philip J. Circus.
44, Belgrave Square, SW1.

The Lear Fan aircraft

The $200m 'plastic' gamble

By Paul Taylor, recently in Reno



The Lear Fan: an unusual 10 seater turboprop

FIVE thousand feet up in tbe Nevade mountains near Reno aircraft is made of "plastic," is making its world debut. The aircraft is made of 'plastic,' is driven by a single propeller behind a three-finned tail, and its makers claim it is more than twice as fuel-efficient as a similar sized corporate jet.

Those arc not the only reasons why the Lear Fan is extraordinary. The aircraft is one man's revolutionary drawing board dream. Now, with crucial preliminary Federal Aviation Authority certification testing under way, that dream is closer to becoming a commer*cial reality*.

Even to get to this stage the project has consumed about $200m in venture capital, including a hefty chunk of British taxpayers' money contributed by a Government desperate to bring badly needed jobs to Northern Ireland. Those funds have staved off several close encounters with bankruptcy.

In a few months' time the Lear Fan's backers will know whether the gamhle has paid off—or whether, like the De Lorean car company the project has been another disappointing and expensive flop.

More than a decade ago William Powell Lear, the prodigious inventor of the Learjet, developer of the first practical car radio and the eight-track tape cartridge, hit upon the initial idea of the Lear Fan *while sitting* in a restaurant.

In 1977 Lear set out the specifications of the aircraft, a 10-seater turboprop designed to fly like a jet at high altitude but use a fraction of the fuel—11 mpg compared to 4 mpg for most corporate jets.

To achieve such performance Lear designed the plane to be built not with aluminium but with lightweight, tough, laminated layers of graphite-epoxy composites—chemically treated strands of polymer hundled together into pencil-thin threads and then woven into a fahric and bonded *together with epoxy glne*. He also substituted a single push-propeller mounted at the rear for more conventional power systems.

He died in 1978 before even a *prototype* had been *built* by his company, LearAvia Corporation. On his death bed be asked his wife, Moya, to finish the aircraft.

The task was not easy. The aircraft's revolutionary design was a major obstacle to attract ing conventional funding. While composltes have been used in aircraft for some years, and are now heing used in the F18 fighter, they had never heen used to build the structural sections of the airframe.

Such factors added to uncertainties over FAA certification and meant nnusual sources of funding had to be tapped. That is how the UK government entered the scene in March 1980.

The Government, desperste to attract employers to Northern Ireland, provided £7.02m in grants and £9.23m in loans (about $34m at the then exchange rates) to Lear Fan Ltd., the company set up by LearAvia to build the aircraft near Belfast.

LearAvia continued to own most of the equity in the Belfast company hut pledged its stake as collateral *against* the loans. As part of the deal the British Government was promised the aircraft would fly by the end of 1980 and be certified hy October last year.

Another $30m was raised by Oppenheimer and Co., the Wall Street investment group which also raised research and development funds for De Lorean. Oppenheimer raised the cash through a limited partnership composed mainly of wealthy individuals who were promised substantial royalty payments.

Linden Blue, a former executive vice president of Gales Learjet, was recruited in 1980 as cbief executive of Lear Fan, which became the central company behind the scheme.

But by 1982 problems had *developed*. Mr Blue left in April—after what Lear Fan executives call a "philosophical disagreement"—the project was behind target and the company was running out of cash.

It was the British Government that came to the rescue, first with loan guarantees and interim financing worth about $35m and then by helping organise a complete refinancing for the project with Mr Boh Burch, a Denver oilman representing a group of Saudi, American and European iovestors.

Tbe Burch group invested $60m in the project, hringing the total private sector investment up to $90m, excluding LearAvia's initial investment.

Lear Fan Ltd became a 100 per cent subsidiary of Fan Holdings, e U.S. company 85 per cent owned hy the Burch group. The British Government accepted a 5 per cent stake and the promise of royalty payments up to a maximum of $33.75m on aircraft sales. The original limited partners agreed to limit their royalty rights and accepted 6 per cent of Fan Holdings. Past and present Lear Fan Ltd executives got 1 per cent. LearAvia, the original company, ended up with just a 3 per cent stake and a share of royalties on sales.

Uoder the refinancing the British Government relaxed the conditions surrounding its ald to date and agreed to provlde up to $30m in new funds in tbe form of a secured loan.

That step took the total British Government direct and indirect investment (through loan guarantees and grants) up to £25.32m and $45m—or about $101m ln total.

Mr Burch is now Lear Fan's chief executive. He is secretive about his backers but he and the new owners have moved quickly to cut costs and set new priorities.

Virtually none of the old senior and few of the middle management remain in Reno. The marketing staff has been cut from four to one and 340 of the current 570 Belfast workers have heen put on short time. "For the first time the company is being run like a business," says Mr Walter Boener, the one remaining marketing man.

There is a new timetable: preliminary type inspection certification by the end of July, FAA certification by the end of December and the first customer delivery by July 1984.

When production starts the aim is to build the wings and structural assembly in Northern Ireland then ship the parts hack to Reno for final assembly. The initial production rate is planned to be 12 aircraft a month.

Lear Fan argues that once the plane is "out in the field" it will "sell itself" without the need for marketing and thus avoid some of the troubles that affected Mr De Lorean.

That remains to be proven. Despite the plane's *impressive* vital statistics some potential customers have grown tired of waiting and orders have been cancelled. Lear Fan Holdings has refunded the deposits, although it maintains it bas no legal obligation to do so.

But even if the aircraft is all that its designer and builders say it should be the potential for unexpected delays remains.

When the British Government sank the first funds into the Lear Fan they were probably taking slightly better odds than the slot machine and roulette players in the casinos of downtown Reno. But like those players the really difficult decision is to know wbether and when to stop.

The odds have risen considerably since then. If the project is a success it could eventually generate 2,800 jobs in Northern Ireland. That would work out at about $36,000 a job—assuming no more taxpayers' money is invested.

FINANCIAL TIMES
Tuesday May 24 1983

MITTERRAND EXPECTS LITTLE TO EMERGE FROM SUMMIT

French gloomy on Williamsburg

BY PAUL BETTS IN PARIS

A COOL WIND continues to blow between Paris and Washington on the eve of the summit of industrial world leaders in Williamsburg.

President François Mitterrand has said be does not expect any concrete results to emerge from the gathering. He also told French journalists during an informal conversation that he could just as well remain at home in Paris and not attend the summit at all.

France is not in a situation where it has to ask for an *obole* (dime) as the French President put it, from the U.S. Moreover, President Mitterrand expects the U.S. to do exactly what it pleases.

President Mitterrand, speaking after his annual Whitsuntide pilgrimage to the wine region of Saone-et-Loire, also expressed some dismay at the reactions to his proposal for a new Bretton Woods conference to establish a more stable world monetary system.

Although the French President's proposal has received a generally cold international response, President Mitterrand's ideas bave been endorsed by former President Valery Giscard d'Estaing.

Despite his acid remarks about Williamsburg, President Mitterrand acknowledges that the summit could help continue the discussion on the problem of currencies and technologies started at the previous summit held at Versailles last June.

President Mitterrand also used the occasion of his pilgrimage to make plain his personal confidence, despite falling popularity ratings in French public opinion polls and serious political, economic and social problems in France.

He thought May 1983 was rather "an ordinary" month of May, referring to the current turmoil shaking the student world in France. But although President Mitterrand appeared to play down the situation, the next few days are likely to be an important test for the Socialist Party.

The debate on the controversial reform of higher education in France opens in the National Assembly today. It is likely to be a major political battle, with the opposition parties already announcing a major campaign to frustrate the controversial left-wing university reform.

Three student demonstrations are also planned in Paris today. There are again fears of possible violent clashes with police, who are themselves facing sharp public criticism for reacting at times with unnecessary brutality.

While the government has reached a compromise with medical students who called off their protracted strike at the weekend, there are few signs of a solution to the university student problem so far.

Moreover, a major series of bombings during the last 48 hours in Corsica by the island's outlawed separatist movement has further unsettled the situation. President Mitterrand is due to visit Corsica the middle of next month.

President Mitterrand also defended the government's economic austerity programme, claiming the latest measures were less severe in his opinion than the four-month wage and prices freeze imposed last year.

But he sought to calm the mounting controversy in the French Left over possible new austerity measures by saying the government was not about to make hospital patients pay 20 per cent of surgery costs.

Brooklyn set for a bridge party

By Richard Lambert in New York

IT WAS, they said, the eighth wonder of the world. And at the grand opening 100 years ago today, 14 tons of fireworks exploded into the night to mark what had been hiiled as the greatest engineering work of the age – the Brooklyn Bridge, linking Manhattan to Brooklyn across the East River.

The twin towers of the bridge, soaring 276 feet into the New York skyline, were rivalled in height only by the spire of Trinity Church at the top of Wall Street. The huge cables which the towers supported carried the main span over the East River to a length of nearly 1,000 feet – half as long again as anything that had been built before – and lifted the roadway high enough over the water to allow the tallest sailing ship to pass underneath with ease

"All that trouble just to get to Brooklyn," ran the old music-hall joke, but cynical New Yorkers still hold the bridge close to their hearts. It has inspired thousands of (mostly awful) paintings, and featured in hundreds of songs, novels, poems and films. Frank Sinatra crooned about it, con-artists sold it, and Steve Brodie, an itinerant Irishman, made a fortune by jumping from it – or claiming to – and living to tell the tale.

The George Washington Bridge, built on the other side of Manhattan in the 1920s, is a vastly bigger construction. But for the 16,000 marchers, one small elephant, and 1½m spectators who are expected to attend today's anniversary celebrations, there is only one great bridge.

There are several explanations for this. Even by today's standards, it was an amazing engineering project. It took 14 years to build and cost $16m as well as more than a score of lives. Its designer, John Roebling, died after an accident at an early stage of the work, and the chief engineer – his son, Washington Roebling – was crippled by an attack of the "bends," which struck down many other workers in the eerie compressed-air chambers at tha bottom of the East River.

The bridge was the first big New York construction in which steel played a key part, and as such was a signpost of the way Manhattan was to develop. And in a city where ugliness is commonplace, the bridge remains an inspiration.

Author David McCullough, in his book The Great Bridge, gives a good summary of what makes the bridge special.

"It can be seen as merely one of a number of different ways to get to or from Brooklyn or as the grandest sort of memento of a New York that was a serene, aspiring emblem rising out of an exhilarating and confident age too often remembered solely for its corruption and gimcrackery.

"It can be seen as the beginning of modern New York – of monumental scale, of structural steel – or the end of old Brooklyn. It is all these. And possibly its enduring appeal may rest on its physical solldity and permanence, the very reverse of rootlessness. It says, perhaps, as does nothing built by Americans before or since, that we had come to stay."

Diamond Shamrock bids for Natomas

By William Hall in New York

DIAMOND SHAMROCK, the Dallas-based integrated oil company, has launched a $1.34bn tender offer and common stock swap for Natomas, the San Francisco-based energy and shipping group.

Diamond Shamrock announced yesterday that it was commencing a cash tender offer for up to 30.4m shares in Natomas (51 per cent of the group) at $23 a share.

It also said it proposed to offer Natomas shareholders the right to swap their remaining shares into Diamond Shamrock sbares at a rate of one share for 0.92 common stock in Diamond Shamrock.

Early yesterday morning, Diamond Shamrock's shares fell by more than $1 to $23¾, valuing this portion of its bid for Natomas at $638m.

Natomas, which earns about half its profits from energy and the remainder from shipping, through its ownership of American President Lines, bas been bard hit by the recession, whicb resulted in it writing down its U.S. petroleum assets last year and cutting its dividend for the first time.

In the first quarter of 1983 Natomas reported a $6.6m loss, against a profit of $49.9m a year ago.

American President Lines reported a $19.7m loss ond lower oil prices, and increased costs in its important Indonesian operations also depressed earnings on the energy operations.

Natomas shares have been actively traded on the U.S. stock markets recently as speculation mounted that a predator was in the wings.

Diamond Shamrock, which has been selling off its speciality chemical operations to concentrate on the energy business, believes that Natomas's strong position in the Pacific Basin fits in well with its own position in the U.S.

The Dallas group has significant production and reserves in natural gas and coal, but it has been anxious to increase its crude-oil interests since it took over Signor Corporation, a San Antonio-based gasoline retailer and refiner, in January.

Diamond Shamrock estimated this year that its newly created refining and marketing operations would represent more than half the group's $4.5bn revenues in the current year.

As a result of a drop in refining and marketing prices and volumes in the U.S. Diamond Shamrock's earnings have been under pressure. In the first quarter of this year it earned $4.6m on revenues of $855m, against earnings of $41.6m on revenues of $791m a year ago.

Early yesterday Natomas said it was unable to comment on the Diamond Shamrock offer because it had not seen the details. The offer will expire on June 20, unless it is extended.

Unexpected increase in UK output 'likely to be short-lived'

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

BRITAIN'S national output is expected to be substantially higher this year than was expected in February, according to the National Institute of Social and Economic Research in its latest review, published yesterday.

The institute is now predicting that this year's output will be 2.4 per cent higher than last year's. In February it forecast 1.4 per cent growth.

However, the institute warns that on present policies the modest acceleration of growth is likely to be short-lived, with a retreat to a growth rate of 1.2 per cent in 1984.

The institute says that the better-than-expected output this year is partly a consequence of the budget tax cuts, but to a large extent reflects the upward revision of official statistics for past output.

It believes unemployment will continue to rise this year and next to an adult total of 3.2m by the end of 1984. It also expects the annual inflation rate to rise from the current 4 per cent to 6.5 per cent by the end of the year and 8 per cent by the end of next year.

It believes that average after-tax incomes will fall by about ½ per cent next year, roughly cancelling the small rise expected in the current year.

The institute says the present recovery depends to a large extent on the slower rate at which companies are reducing stocks, and it warns that this can only give a temporary boost to the economy.

Longer-term hopes for recovery, it says, must depend on a faster rate of fixed investment, but it thinks the immediate prospects for that are not very good.

The institute therefore recommends that a boost should be given to public investment, which, it says, has fallen badly behind in the last eight years.

It says: "The scale and systematic nature of under-spending on capital programmes, which has averaged 10 per cent of total capital budgets over the last five years, points to a deficiency in the existing system of financial control."

It urges that new methods of public spending control should be devised to provide separate overall targets for capital and current spending.

A special article in the review, by Sir Fred Atkinson, economic adviser to the Treasury until the end of 1979, and two members of the institute staff, suggests that unemployment might have been substantially lower if the Government had used North Sea oil to stimulate the economy.

A computer simulation suggests that adult unemployment would have been 400,000 lower than the 2.9m average for last year under more expansionary policies.

Details, Page 10; Editorial Comment, Page 16

Philippine steel plan delayed

BY EMILIA TAGAZA IN MANILA

CONSTRUCTION of a proposed $800m Philippine steel complex, contracts for which have been awarded to foreign companies led by Davy McKee of the UK and Marubeni of Japan, has been further delayed by the failure of the Manila Government to raise the commercial funding portion of the project. The companies have arranged for soft loan packages from their governments and for agreeable terms on supplier's credits, but they seem to have failed to stir the enthusiasm of commercial banks.

Lazard Brothers, which acts as adviser to Davy McKee, is trying to put together a $200m Eurocredit for the project, but Hong Kong-based banks said they were not yet prepared to participate in the syndication because of the absence of a feasibility study for the project.

An official of one bank approached by Lazard said the study was supposed to have been prepared by American Express, but the banks have not yet seen it. The banks might reconsider their participation if they saw the report, be said.

Lazard Brothers has talked about raising 10-year money with a spread of between ⅞ to 1 per cent over the London Interbank Offered Rate (Libor).

Some banks in Hong Kong that have been approached by Lazard have shown little interest in the syndication. They said that they did not expect the steel industry to rise from the doldrums at least in the medium term.

One banker said: "It would be difficult for the Philippine project to compete with existing plants in South Korea, Taiwan and Japan, which themselves have been retrenching their own industries."

Filipino bankers also bave some doubts about the steel project. Mr David Sycip, a leading local banker, said the project was unlikely to succeed because the Philippines lacked the vital raw materials and cheap power. Locally produced iron ore was of lower grade, he said.

Davy McKee, together with Voest Alpine of Austria, has been awarded the letter of intent for the second phase of the project, a steel-making plant. The first phase, an ironmaking plant, was awarded to the consortium of Marubeni, Kawasaki, Krupp, Kobe Steel, Ube Industries and Mitsubishi Heavy Industries.

The companies have agreed to grant export credits with maturities of 12 years with a grace period of five years. As part of Davy McKee's financing, the UK Government has committed, a grant of £25m ($40m).

Gatt rules on pasta

BY NANCY DUNNE IN WASHINGTON

A GATT dispute settlement panel has upheld a U.S. complaint that EEC pasta exporters receive government subsidies in a manner inconsistent with the Gatt code.

The three-to-one finding is the result of a complaint filed in 1981 by the U.S. National Pasta Association, alleging that Italian pasta was achieving a disproportionate share of the U.S. pasta market by using unfair subsidies.

The Pasta Association said the EEC subsidy ranged between 7 and 12 cents a pound, comprising about 14–27 per cent of the product's value. It said that Italian pasta exports had risen from 10m pounds, in 1975, or 20.3 percent of total U.S. imports, to 20m pounds, or a third of U.S. total pasta imports, by 1980.

The report by the Gatt panel, must now be considered by the full subsidies code committee for a final decision on June 9.

Should the committee uphold the finding and the EEC refuse to take action on its subsidy, then the U.S. would be free to take countermeasures of its own.

Several cases were sent to Gatt by the U.S. in its battle against subsidies in agricultural products. A settlement panel returned an adverse decision on the first case, contending that the EEC unfairly subsidised its wheat flour.

$ declines after gains

Continued from Page 1

Wachovia Bank, which had cut its prime rate to 10 per cent in April, put it back up to 10½ per cent while the U.S. Trust Company raised its broker loan rate from 9¼ to 9½ per cent.

● **Robert Cottrell adds from Hong Kong:** the Hong Kong stock market and Hong Kong dollar both registered sharp falls yesterday, with the market's Hang Seng index losing 39.14 points to close at 902.71.

The Hong Kong dollar slid steadily through the day in relatively active trading, from opening quotes around HK$6.92 against the U.S. dollar to a close locally around HK$7. Dealers noted that the exchange rate was influenced more by the U.S. dollar's strength than by Hong Kong dollar weakness.

On its trade-weighted index the local currency lost 0.3 points to close at 75.3. The dollar hit a record low of 74.7 on its index last Thursday, when it bottomed out at HK$7.035 to the U.S. dollar. The local dollar had strengthened on Friday, when banks announced a 2 per cent rise in best lending rate to 13.5 per cent.

Brokers attributed the sharpness of the stock market fall to the potentially severe effect of higher interest rates on the beavily borrowed property sector, where many companies are struggling to meet debt servicing costs. Hong Kong share prices had already eased

THE LEX COLUMN

Walking one way down Wall St

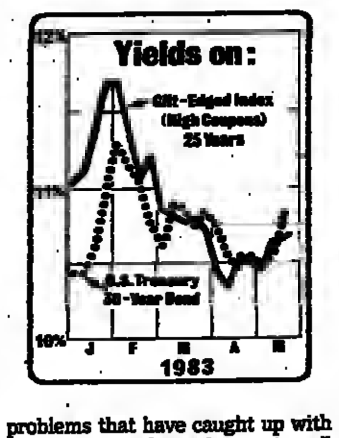
The U.S. bond market has been *falling consistently for more than* a fortnight and Friday's announcement of a $7bn spurt in M-1 did nothing to calm its nerves. Yields on long-dated U.S. Treasury bonds have moved comfortably above those on comparable gilt-edged and Wall Street is struggling to unearth any good news which, in the short term at least, would bring them back down again.

As the Federal Reserve has been at pains to impress, one set of weekly money supply numbers is a far from accurate guide to the underlying level of monetary growth and last Friday's figures were more than usually full of exceptional influences, notably a high level of tax refunds and a change in the seasonal adjustments.

But, at the moment, the market is prey to any item of bad news and yesterday broker loan rates moved up a notch to 9½ per cent while the renowned Wachovia Bank and Trust brought its prime rate back into line with the competition at 10½ per cent.

This must be very unsettling for those bond houses which bid aggressively for Treasury stock during the early May refunding on the assumption that the official discount rate would soon be cut from 8½ to 8 per cent. Many dealers are apparently still awash with inventory and are faced with the prospect of a Treasury funding programme running at about $60bn net per quarter into early 1984.

There is little prospect of a shift in Federal Reserve policy until after the Williamsburg summit and perhaps not until later in the summer, when the leadership question at the Fed should have been resolved. With the recent economic indicators pointing to a faster than expected recovery, there is some apprehension on Wall Street that the next substantive move may be to tighten.



ABF

The war of attrition over UK bread prices has finally taken its toll on Associated British Foods (ABF). In a year when none of the other divisions could make up for the pressures on baking margins, pre-tax profits rose by a mere 5.2 per cent to £146.5m – and this was only achieved by dint of an £8.2m currency adjustment against the South African rand at the April year-end. After the minimal advance at the half-way stage, the slow-down was by no means unforeseen, but the figures emphasise the problems that have caught up with the company after a buoyant spell growing at an average of 20 per cent a year since 1979.

The trading picture in the UK was admittedly clouded by an £8m reorganisation charge, taken conservatively above the line. But allowing for this, UK profits were virtually unchanged, with the downturn on the manufacturing side balanced by a healthy advance at Fine Fare, where the policy of converting to larger stores showed through in a 12 per cent turnover increase. Overseas, Australian profits bave recovered after recent cost-cutting, while expansion in South Africa has paid off at the trading level. But virtually all of this advance was cancelled out by the vertical rise in interest payments – up from £16.3m to £29m – largely resulting from the growth in South African debt.

Tha higher borrowings, up £61m on the year, partly reflected the exceptional £83m increase in capital expenditure to £233m. In the current year, ABF is likely to trim back to its more traditional pattern of living within cash flow. But with the interest charge staying at around the same level, it is difficult to see profits advancing much beyond £155m, suggesting, at 146p, a prospective p/e of a little over 10, fully taxed.

Jobbers

The London stock market last year saw two brokers take advantage of the new rules allowing outside stakes of up to 30 per cent; last week it was the turn of one of the jobbing community, Smith Bros, to beef up its capital base partly in this way. The Restrictive Practices Court begins its consideration of the Stock Exchange's rule book in January, and indications as to which way the wind is blowing may emerge by autumn. The smaller jobbers are more aware than most in the market of the pressures that change might bring, and the cost and trading economies of a large capital base.

In recent years the capital requirements of jobbers bave risen sharply. In part this is a reflection of larger individual orders and rising stock prices. But these are secondary; the growing institutionalisation of the market has tended to encourage one-way trading, reducing the profits from the jobber's turn. Effective spreads have been further narrowed by the jobbers' determined attack on put-throughs – now a declining element in the market. Instead the jobbers must rely for their profits on taking positions successfully, and to do so they may hold on to stock for months. The discrepancy in the capital bases of the two major jobbers, Wedds and Ackroyds, and those of the rest is already reflected in the marked difference in competitive position in day by day trading. The big jobbers have the strength to work positions to their own advantage, the smaller ones more often bave to cut and run.

Hong Kong

If Hong Kong really is run by the Hongkong Bank, the Jockey Club and the Governor, it remains only for the horse fanciers to chip in their own attempt to shore up financial confidence. The Bank's chairman and the Governor have both mounted soothing operations recently but yesterday the Hong Kong dollar slid back past the milepost of seven to the U.S. dollar.

Even substantial support for the currency – in the shape of Friday's two-point increase in local prime rates to 13.5 per cent – has failed to stop the rot. In Hong Kong, a steep increase in interest rates can have the perverse effect of stimulating capital outflows by undermining confidence further in the overborrowed property sector.

With local inflation running around 10 per cent, real interest rates are still relatively low, but for some big, sick companies whose property assets are deflating, that is small consolation. The Hang Seng index made its own judgment, dropping 39.34 points in the course of the day to close at 902.71.

Apart from the commercial risks of driving up interest rates, it is questionable whether the monetary weapon is the appropriate one to bring to bear on an exchange rate which is in large measure an indicator of political worries.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	17	63	Dubrovnik	C	23	73	Malaga	S	24	75	Salzburg	C	11	52
Akrotiri	S	24	75	Faro	S	18	64	Malta	F	20	68	Seoul	C	24	75
Algiers	S	23	73	Florence	C	20	68	Manila	S	38	100	Singapore	R	32	90
Amsterdam	F	14	57	Frankfurt	R	11	52	Miami	C	28	82	Stockholm	F	16	61
Athens	S	25	77	Funchal	C	18	64	Milan	F	16	61	Strasbourg	R	11	52
Bahrain	S	34	93	Geneva	C	10	50	Moscow	S	25	71	Sydney	R	21	70
Bangkok	S	36	97	Gibraltar	S	22	72	Munich	D	8	46	Taipei	R	29	84
Barcelona	S	18	64	Guernsey	F	11	52	Nairobi	-	—	—	Tangier	S	22	72
Beirut	S	24	75	Helsinki	S	17	63	Naples	F	19	66	Tehran	-	—	—
Belgrade	T	26	79	H. Kong	C	27	81	New Delhi	C	32	90	Tel Aviv	S	20	68
Berlin	R	13	55	Innsbruck	R	9	48	New York	S	22	72	Tenerife	C	20	68
Biarritz	R	11	52	Inverness	S	13	55	Nice	S	20	68	Tokyo	C	25	77
Blackpool	C	14	57	Istanbul	S	21	70	Oporto	S	16	61	Toronto	C	14	57
Bordeaux	R	14	57	Jersey	C	12	54	Oslo	F	13	55	Tunis	R	29	84
Brussels	S	15	59	Jo'burg	R	13	55	Paris	C	14	57	Valencia	S	25	77
Budapest	-	—	—	Las Palmas	F	21	70	Prague	-	—	—	Venice	R	18	64
B. Aires	C	16	61	Lima	S	27	81	Reykjavik	C	10	50	Vienna	F	19	66
Cairo	S	33	91	Lisbon	F	17	63	Rio de J'o	C	26	79	Warsaw	S	28	82
Cape Town	-	—	—	Locarno	C	16	61	Rome	F	21	70	Zurich	R	7	45
Caracas	C	25	77	London	C	14	57								
Casablanca	S	17	63	Los Angeles	C	27	81								
Copenhagen	C	12	54	Luxembourg	C	14	57								
Corfu	C	22	72	Madrid	F	19	66								
Dublin	F	12	54	Majorca	S	22	72								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

UK summit hopes

Continued from Page 1

in for nationalisation like other people go in for stamp-collecting." She said that "under a Labour Government there is virtually nowhere you could put your savings where they would be safe from the state."

The Prime Minister's speech revealed the sensitivity in Conservative ranks about Labour's attacks no the Government's attitude to unemployment and the welfare state.

Mrs Thatcher said she personally understood what it must like for a man to search for a job. But she said caring was not enough and claimed that the Government had been able to maintain Britain's social services through the worst recession in 40 years.

There was some softening yesterday in Mrs Thatcher's previous "headmistress" style which had caused reported concern amoog some senior Conservatives. The row over the future of Mr Francis Pym, the Foreign Secretary, continued, however. Mrs Thatcher bas twice implicitly corrected him in public during the past week.

Mr Pym has indicated that be wished to stay as Foreign Secretary should the Conservatives win the election.

Bermuda in insurance move

Continued from Page 1

in the Bermuda market, is also considering appointing a professional consultant to carry out investigations on the association's behalf.

Mr Peter Jones, president of Zurich International, part of the Zurich Insurance Company, and chairman of the underwriters association, said last week: "We are anxious to keep the market clean. We are considering appointing a professional consultant as part of the association's desire to investigate any broker or insurance company suspected of unethical business practice in the market."

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SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Tuesday May 24 1983

Alfa Romeo reduces deficit

By James Buxton, in Rome

ALFA ROMEO, Italy's second biggest car producer, succeeded in reducing its losses last year. The car subsidiary, Alfa Auto, lost about L80bn ($54m) in 1982, against a figure of L97bn in 1981. The group as a whole, *Alfa Romeo SpA*, which also makes aviatinn products and commercial vehicles, lost L85bn, compared with a loss of L116bn in 1981.

Turnover for the group was L2,300bn, a substantial improvement on the 1981 figure of L2,034bn. The ratio of debt to sales was said to have declined to 35 per cent from 77 per cent five years ago. Losses are forecast to fall to L60bn this year.

The partial results do not include details of the sales of Alfa Auto, the most important part of the company's activities and the major source of its losses. In 1981 Alfa Auto sales declined to L1,549bn, from L1,670bn in 1980.

With the relatively weak car market in Italy last year and generally poor trading conditions overseas, Alfa has been forced to carry out reductions in the labour force and improvements in productivity which were introduced by its private sector rival Fiat in 1980.

One of the most impressive achievements has been a sharp increase in output per man at the Alfa plant near Naples, where there has also been a dramatic reduction in labour troubles, thanks partly to the more resolute management approach. For years the plant, whose location was decided mainly on political grounds, had an appalling reputation for strikes, low productivity and poor workmanship.

Sig Ettore Massacesi, the chairman of the company, which is owned by the Finmeccanica subsidiary of the state holding company IRI, said at the weekend that Alfa Romeo had not yet "definitely come out of the tunnel, despite the efforts of the last few years.

"Not all the problems have been resolved," he said. "Only a long-term projection will tell us if the course we are following is right. Don't let us forget the difficulties of internal and international markets."

Alfa Romeo is soon to launch its new car, the Arna, which is a joint venture with Nissan of Japan. The car is being assembled at Avellino, inland from Naples, and finished in the Naples plant. The first four months production is aimed entirely at the British market.

In due course Alfa Romeo should beoefit from the agreement signed last year with Fiat for the manufacture of certain basic components for cars to be made by the two companies – the first cooperation between them in recent years.

Enasa seeks bigger slice of European market

"THE wind has changed and we had to adjust our sails," says Sr Juan Lorenz, deputy managing director of Enasa. Following the collapse of its relationship with International Harvester, the group has put together an alternative strategy to get a bigger share of the European market, writes Kenneth Gooding from London.

ENASA, the state-owned Spanish group which produces Pegaso trucks and buses, is planning a major change in strategy aimed at winning a bigger share of the European market.

Until May last year Enasa's future was bound up with that of International Harvester of the U.S., which had taken a majority shareholding and management control. However, the financial problems of the American group led it to withdraw, not only from the Enasa arrangement but also from its other truck operations outside North America.

Enasa has worked swiftly to put together an alternative strategy now that its ownership has reverted to the state holding company, INI.

"The wind has changed and we had to adjust our sails," says Sr Juan Lorenz, deputy managing director.

"By 1985–86 when Spain joins tha EEC we want to have established a network of service points along all the main routes in Europe. We must support those customers who buy our beavy trucks in Spain and use them for international haulage."

In the past three months Enasa has already signed up 32 dealers for the new service network.

The next step will be for it to set up its own import companies or sign up importers in key European markets.

"We have given this top priority and allocated thousands of millions of pesetas for it," Sr Lorenz maintains. Spanish sources suggest the budget runs to Pta 5bn ($36m).

Initial emphasis is being put on strenghtening the group's position in France and the Benelux countries because of their proximity to Spain. Enasa's existing French subsidiary is in the process of being refinanced and moved to a more prestigious building in Paris. The company is waiting for formal approval from INI to set up a new subsidiary in Belgium.

An importer has been lined up for Switzerland, while Austria, Italy and Ireland are on the list of countries in which Enasa will be represented before long.

Sr Lorenz points out thet the company has two alternatives for Britain. It could either establish its own import company or it could buy Seddon Atkinson, a UK subsidiary of International Harvester which is up for sale, to gain immediate access to its 44 dealers. In the longer term the next generation of Pegaso and Seddon trucks could be jointly developed.

Sr Lorenz insists: "We would want to preserve Seddon's British image – even make it more British than ever."

Negotiations with IH have been friendly in view of the previous relationship between the two companies. According to Sr Lorenz, IH agreed to pay $10m in compensation for withdrawing from its contract with Enasa but will give technical and other assistance, not cash, in respect of this sum.

While the main objective is to set up a Pegaso truck service network throughout Europe, Enasa also expects to sell more trucks there than it has done in the past. Annual sales averaged around 60 in Europe, excluding Spain, and this should improve to 400 if all goes to plan.

Pegaso products are not well-known in Europe outside Spain because traditionally it has concentrated its export efforts in South and Central America and Africa. Recent orders include 7,000 buses for Chile and 5,000 buses for Cuba, for example.

In Spain Enasa accounts for around half of total truck sales and it has 93 per cent of the bus market.

Enasa's vehicle output was 9,000 in 1981 and moved up to 12,000 last year, roughly in line with Daf's truck and bus production but well behind the 187,000 commercial vehicles produced by Daimler-Benz, Europe's majnr truck group. Enasa's output is predicted to remain at around 12,000 this year.

Enasa's huge losses have been steadily reducing: from Pta 14bn in 1980 to Pta 11bn in 1981. The 1982 accounts should show a loss of Pta 7.8bn.

On sales of Pta 85bn this year, Enasa predicts its loss could be down to Pta 1.5bn after extraordinary items. Without the extraordinary deductions it would expect a Pta 2.5bn profit.

The extraordinary items will cover the cost of reducing the workforce from 12,600 to 10,500.

The most important factor in Enasa's financial recovery is a contract to supply 11,800 all-wheel-drive trucks and some buses to the Egyptian army to replace ageing Russian military equipment. This contract, possibly the largest ever awarded for vehicles, is worth over $1bn, and covers the three years 1981–82.

The deal has giveo Enasa vital breathing space to get itself into shape.

For in Spaio the writing has been on the wall for some time. Imports have scooped up one quarter nf the top-weight truck business in spite of the fact that haulage companies must pay a 35 per cent price premium because of the substantial tariff barriers to imports.

M Jean Rigollett, managing director of Hispavinsa, the Renault-controlled commercial vehicle company, said recently: "Spanish hauliers buy imported heavy trucks mainly because of the internatinnal service networks their manufacturers offer throughout Europe."

And just as Enasa has been preparing to improve its representatioo outside Spain in anticipatinn of Commoo Market entry, so the nther truck makers have beeo looking with more interest at the Spanish market.

Hispavinsa was formerly called Dodge Spain and was acquired by the Peugeot group when it bought Chrysler's European assets. Peugeot subsequently sold a half share to Renault's commercial vehicle subsidiary, which has taken management control.

The Renault badge – well known in Spain because the French group has been assembling cars there via a joint company since 1951 – has been substituted for the Dodge label on all new trucks emerging from the Villaverde factory.

And, as part of the Spanish Government's determinatinn to put the country's truck manufacturing operations in better order, Daimler-Benz was encouraged to take control nf Mevosa and the Nissan group of Japan was similarly prodded into acquiring a majnrity hnlding in Motor Iberica.

The most recent newcomer to the Spanish truck market is Daf which a month ago set up its own import subsidiary, mainly with an eye nn Enasa's 93 per cent grip nn the bus market. Daf believes it can grab some of that once Spain joins the Common Market. And Ivezo, the Fiat-owned group, is also setting up a dealer oetwork in Spain.

Enasa feels that the best way to stop the steady erosion of its Spanish market share by importers is to get that European service netwnrk quickly into place.

Acquisition boost for James River

By William Hall in New York

JAMES RIVER, the largest independent U.S. producer of speciality papers, increased its earnings in the final quarter to April 24 by 193 per cent to $19.6m. The figures partly reflect the impact of the acquisitinn of American Can's Dixie-Nnrthern paper making operations last July.

The group's full year earnings have more than doubled to $55.2m and sales jumped from $773m to $1.66bn. Earnings per share for the full year totalled $4.03 against $1.95 a year agn.

James River has been growing rapidly over the last few years as it has acquired varinus pulp and paper mills around the U.S.

Earlier this mnnth it announced that it had signed a letter nf intent to buy the pulp and paper making assets nf Diamond International

Visa in $7m deal 'to aid bank industry'

VISA U.S.A. is planning two acquisitions which it says will help the banking industry compete more effectively against large non-regulated financial institutions.

The group is paying $7m in cash and notes for Maryland Switch, a regional automated teller machine and poiot of sale switching network, and Service Center, a processor of paymeot cards and travellers cheques.

Maryland Switch would be acquired from Suburban Bank, First National Bank of Maryland, Savings Bank of Baltimore and First Virginia Bank. Service Ceoter is owned by Suburban Bank, First Natiooal Bank of Maryland and Equitable Bank.

Canada backs air industry

By Robert Gibbens in Montreal

CANADA'S FEDERAL Government has asked parliament for a further C$240m (U.S.$196m) to strengthen the equity base of state-owned Canadair, the airframe maker, bringing total loans and guarantees to the company to more than C$1.5bn. A further C$60m will go to De Havilland Canada of Toronto, builder of Stol (short take-off and landing) aircraft.

Last November government control of both companies was vested in a new state-owned holding company, Canada Development Investment Corporation. It is expected that Canadair will require further loans of about C$500m in the next two years to cover the cost of its Challenger executive jet. Only 78 deliveries have been made – half the expected number when production started three years ago.

Challenger, a luxury business aircraft, has been hit by depression in the aviation industry and a collapse in demand from oil producing nations.

Challenger was also affected by delays in obtaining more powerful engines to give it higher performance and by cancellations of orders by a U.S. freight line.

De Havilland has also been affected by recession and slow sales

Phillips Petroleum unit loses $60m

BY JOHN MOORE IN LONDON

WALTON Insurance, the Bermuda-based insurance subsidiary of Phillips Petroleum, suffered $60m losses in 1982. The figures, estimated to be among the worst ever recorded in the Bermuda insurance market, compare with a net loss in 1981 of $578,000.

Walton is one of about 1,100 insurance companies established in Bermuda by overseas companies. Walton was originally established in the early 1970 s by Phillips Petroleum, its parent company, to insure Phillips' own risks. But since the mid-1970s it had been insuring risks unrelated to Phillips.

By the end of last year, the group was insuring outside business amounting to volume to five times more than the business that Walton was insuring for Phillips.

Mr John Kemp, a senior executive with Walton, said last week that Walton had now ceased to underwrite outside business. "We are entirely out of non-related business," he said, "but we are continuing insuring the parent company for 1983, although we have not decided our plans for 1984."

He insisted that Walton would meet its obligations and had more than enough capital to meet the underwriting losses arising within the group.

Senior management changes and redundancies have been made within the group.

Mr Kemp said that there should be improved reporting requirements in Bermuda to ensure that problems can be identified earlier. "Bermuda's authorities should seriously consider making it mandatory for companies operating here to disclose on an underwriting basis the extent of their non-related insurance business."

Walton insured large amounts of aviation business, which according to some estimates accounted for around 5 per cent of the total aviation insurance market. Last year was a very poor year in aviation underwriting.

A significant proportion of Walton's business was introduced through a broking company called Insurance and Reinsurance Brokers, in which Walton held a 25 per cent stake. The other shareholders in Insurance and Reinsurance Brokers were C. E. Heath, the insurance broker, Petrofina, and Alexander & Alexander Services, the world's second largest insurance broker.

The hroking activities of Insurance and Reinsurance Brokers are being curtailed, and while existing accounts are being serviced, no new business is being processed.

Occidental changes pension plans

OCCIDENTAL Petroleum, the diversified U.S. oil group, has restructured its employee pension plans. The change will increase reportable profits by more than $100m.

The change is designed to end inconsistencies resulting from recent acquisitions, including last December's $4bn takeover of Cities Service.

Four existing pensioo programmes will be cancelled with effect from June 1. Occidental said that because these are overfunded, the company will gain more than $250m.

Gould set to sell battery operations

BY RICHARD LAMBERT IN NEW YORK

GOULD, the U.S. electronics group, has signed a letter of intent to sell its lead-acid battery operations to a group of private investors organised by Allen and Company, the New York investment firm. The selling price has not beeo disclosed, but Gould said earlier this month that it hoped to get $300m for the business.

Under the terms of the proposed sale – which will not have a material effect oo the group's 1983 earnings – Gould retains the right to consider additional offers until the end of next month.

Gould's battery operations employ more than 4,700 people in the U.S., France, Canada and Mexico. Sales last year totalled $369.9m and pre-tax earnings $31.5m. Assets are valued at $331.8m.

The sale forms part of Gould's strategy of selling its industrial and electrical operations in order to coocentrate on electronic systems, products and compooeots.

Penn Central to acquire Gulf Energy group

By Our Financial Staff

PENN CENTRAL, the New York-based group, has agreed to acquire Gulf Energy and Development Corporation for around $100m in cash. Each Gulf shareholder will get $15 a share on completion of the deal, which is subject to approval by the director of both companies and by Gulf's shareholders.

Gulf Energy, which has approximately 6.9m common and common equivalent shares outstanding, has given Penn Central an option to buy 500,000 common shares at $15 each. It bas postponed its annual meeting scheduled for May 26 and plans to call a special meeting for shareholders to vote on the deal.

Hamilton Brothers Petroleum Corporation, the Denver-based group which owns all of Gulf's convertible preferred stock and warrants to purchase common shares, has agreed to sell its entire Gulf stake to Penn Central oo similar terms. The stake represents 24.3 per cent of Gulf's common stock on a fully cooverted basis. The $100m deal includes the cost of buying Hamiltoo Brothers' interest.

Penn Central will effect the acquisition through the merger of a newly formed subsidiary into Gulf.

INTERNATIONAL BORROWING

Denmark to raise $200m loan

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

DENMARK is raising $200m in the Euromarkets through an unusual seveo-year loan facility targeted specifically at U.S. regional banks.

The structure of the loan is designed to encourage U.S. regional banks to overcome their wholesala resistance to international lending, built up since the Latin American debt crisis.

Led by First Chicago, the loan is to be underwritten by a group of major banks which will then sell portions of it at shorter maturities to the U.S. regional banks. Those banks will thus be able to avoid committing themselves for the full seven-year life of the loan.

Underwriters are to receive a fee of 20 basis points annually as wall as a margin of five basis points oo unsold amounts of the transaction that they have to carry on their own books.

Precise terms under which portions of the loan will be sold to regional banks yet have to be worked out, but this may involve offering them participations at very short maturity, possibly as limited as six months. Such participations would be re-offered in the market as they mature.

Banks that have already agreed to underwrite the deal include Canadian Imperial Bank of Commerce and Midland Bank.

While U.S. regional banks remain very reloctant to take on new international loan exposure, some bankers detect a slight thaw in the atmosphere recently, citing the success of the current $500m loan for Ireland and the $300m loan for Korea's Eximbank as examples.

However, regional banks remain very selective. Pending legislatioo in the U.S., designed to inhibit foraign loan excesses, is likely to make them remain reluctant to lend to all but solid credit risks, bankers argue.

Bond yield differential narrows

BY MARY ANN SIEGHART IN LONDON

THE YIELD differential between bonds issued by different OECD countries is again narrowing, according to economists from American Express International Banking Corporation writing in the latest *Amex Bank Review*.

From mid-1980 to the end of 1982, these differentials widened from around 50 basis points (½ per cent a year) to over 300 basis points (3 per cent a year). Now, apparently, the differential has narrowed to around 230 points.

The wide differential is attributed to greater concern about country risk and to a larger supply of bonds from certain countries. The current accounts and external debts of active OECD borrowers have generally worsened over the last few years, both in absolute terms and relative to the average of all OECD countries.

In most of the countries in the survey – Australia, Austria, Canada, Denmark, Finland, France, New Zealand, Norway and Sweden – current account deficits have increased. These now account for 87 per cent of the OECD's total deficit in 1982.

Eurobonds, Page 32

German net bond sales fall

BY OUR FINANCIAL STAFF

NET SALES of West German domestic bonds fell in April to DM 4.20bn ($1.71bn) from DM 8.17bn in March, according to the Bundesbank. In April last year, domestic bonds saw net redemptions of DM 1.39bn.

Eurobonds had net redemptions of DM 192m in April, after net sales of DM 1.42bn in March and DM 118m of sales in April last year.

Almost all April's net bond sales reflected bank debt totalling DM 4.15bn, the large majority of it in long-term issues. Public authorities were barely active, issuing just DM 102m of debt compared with DM 4.25bn in March and DM 2.31bn in April last year.

Industrial bonds showed net redemptions of DM 52m after net redemptions of DM 75m in March and DM 49m in April of 1982.

INTERNATIONAL COMPANIES and FINANCE

Trafalgar Housing turns down suspension

By Robert Cottrell in Hong Kong

TRAFALGAR HOUSING, the Hong Kong property group, has turned down a suggestion from the Colony's Securities Commission that it should request a suspension in trading in its shares until a debt moratorium with bankers has been negotiated.

According to the Securities Commissioner there is evidence that some of Trafalgar Housing's creditors have been dealing in shares at the same time as being in receipt of inside information on the company provided as part of the debt talks.

It is being widely reported that certain bank creditors of Central Enterprises, the unquoted parent of the Trafalgar Housing Group, are selling shares in Trafalgar pledged as security against their loans. Trafalgar is trying to negotiate a debt moratorium with its bankers as a prelude to rescheduling up to HK$690m (U.S.$98m) of debts. Central's main asset is its 76 per cent holding in Trafalgar.

The share sales, unusually announced by the Commission, which said that it had thought that the banks would not sell pledged shares while they were receiving privately financial information on the group, follows an admission by Trafalgar Housing of liquidity problems several weeks ago. Mr John Wu, the company's managing director, said that it planned to sell most of its assets to reduce debts and to seek a moratorium on debt payments.

The number of shares being put on the market is not specified.

According to a privately-prepared balance sheet as of February 28 this year, Central had a negative net asset value of minus HK$254.4m and debts of HK$623.5m. Trafalgar had a positive net asset value on that date of HK$447.1m, assuming a valuation of HK$585m placed upon an unbuilt housing project in Macau.

First decline in profit for seven years at Toshiba

BY YOKO SHIBATA IN TOKYO

TOSHIBA, Japan's second largest integrated electrical goods manufacturer, has recorded the first fall in pre-tax profits for seven years with sales hit by falling demand for both heavy electrical plant and consumer goods as well as intense competition between the Japanese majors in this sector.

Parent company pre-tax profits were down just over 10 per cent, from Y92bn to Y82.5bn ($356.5m), for the year to March 31. Net profits were also down, by 2.4 per cent, to Y46.2bn although sales increased marginally to a record Y1,773bn. Profits per share dropped to Y18.57 from Y19.15 previously. The total dividend, however, remains unchanged at Y7. A one-for-twenty scrip issue is also planned.

The company said the trimming of its financial deficits by Y3.27bn to a net Y7bn, failed to cover the negative effects of a deterioration in the cost to sales ratio, down by 0.8 percentage points to 73.6 per cent.

Toshiba's sales of consumer electrical products fell by 2 per cent to 32 per cent of turnover reflecting the poor demand for audio equipment and television sets. The curb on capital investment by the electrical power generating companies was reflected by a 4 per cent fall in the sales of heavy plant—with this sector accounting for 37 per cent of the total.

There was a better performance by the company's electronic components and industrial electronics sector where, thanks to strong sales of semiconductors, turnover rose 13 per cent to account for 31 per cent of the total.

For the current year, to March, 1984, the company is forecasting a recovery in demand for colour television sets, video tape recorders, and audio equipment, as well as continuing strong sales of office automation equipment. Sales are projected as rising by 9 per cent to Y1,940bn, and net profits as reaching Y47bn.

Marginal rise for Ajinomoto

BY OUR TOKYO STAFF

AJINOMOTO, the manufacturer of monosodium based seasoning products, has reported only a small rise in profits for the year to March.

Pre-tax profits were up 4.3 per cent to Y24.1bn ($104m) while net profits rose by an even smaller proportion, 1.2 per cent to Y10.1bn, due to provisions made to cover losses made on withdrawing from a Canadian venture. Profits per share were down to Y26.66 from Y27.19 previously.

Overall sales grew by 3.9 per cent to Y408.4bn thanks partly to success with new amino-acid based products, the sales of which rose 22 per cent to account for 11 per cent of turnover.

In the current year, to March 1984, Anjinomoto is to market an immuno-power anti-cancer drug called "Lentinan" and to begin the clinical testing of another anti-cancer drug, "Cam." Full year sales are forecast as reaching Y420bn, up 3 per cent, with net profits expected to rise to Y10.5bn, an increase of 4 per cent.

Advance by Singapore Land

BY GEORGIE LEE IN SINGAPORE

EARNINGS at the major Singapore property company, Singapore Land, rose sharply in the six months to February 1983, thanks to a first-time contribution from its prestigious Shell Tower building.

Group pre-tax profit rose by 168 per cent from S$5.6m to S$15.1m (US$7.2m). Net rental income was three times higher at S$23.5m, and together with management fees, sundry receipts and interest received, total income amounted to S$26.1m compared with S$10.6m in the first half of 1981-82.

Total expenditure rose by 122 per cent to S$11m, largely as a result of increased financing costs.

Singapore Land said that the lettable space in its major commercial properties — Shell Tower, Shing Kwan House, and Clifford Centre — is substantially leased. Its major development project, the massive Marina Centre development, is expected to be completed in mid-1985.

● OVERSEAS UNION BANK (OUB) is to make a one-for-four rights issue to finance its acquisition of 37.5m shares in International Bank of Singapore, Reuter reports from Singapore.

The issue will be priced at S$2.50 (US$1.20) per S$1 share and is subject to stock exchange approval.

Certain shareholders with about 44.4 per cent of the issued capital have undertaken to subscribe for all their rights entitlements, leaving the balance to be underwritten by Asian-American Merchant Bank.

OUB has agreed to acquire the 37.5m shares, or 75 per cent of IBS, equally owned by Oversea-Chinese Bank, Development Bank of Singapore, and United Overseas Bank, at S$3.11 per cent share for a total of S$116.62m.

Mid-term earnings up 12.5% at ANZ

By Michael Thompson-Noel

THE AUSTRALIAN and New Zealand Banking Group (ANZ) has reported a 12.5 per cent boost in net profits for the six months to March, from A$89.2m to A$100.3m (US$88.3m). In profit terms, ANZ has thus temporarily stolen the limelight from Westpac, Australia's biggest bank, which recently reported a 12 per cent fall in net profit for the March half, from A$115.3m to A$101.4m.

Group income at ANZ was A$1.5bn, against A$1.3bn previously. The interim dividend has been held at 14 cents a share, on earnings of 47.54 cents a share. Tax was sharply higher at A$83.6m against A$68m, while depreciation was A$17.2m against A$12.5m.

Unlike its main rivals, Westpac and National Australia Bank (the latter is due to report its interim figures on Thursday), ANZ is not burdened by recent merger costs.

Westpac was formed last year from a merger of Bank of New South Wales and Commercial Bank of Australia, while National Australia Bank grew from a marriage of National Bank of Australasia and the Commercial Banking Company of Sydney.

ANZ said yesterday that its improved half-year earnings were due mainly to trading bank operations in London, North America and Singapore, and to its finance subsidiary in Hong Kong, while the 75 per cent-owned New Zealand group also did well.

Trading bank activities showed a 14 per cent profits gain, from A$37.2m to A$42.5m, but savings bank profits slipped from A$14m to A$13.3m.

ANZ said profit levels in the March half were unlikely to be maintained in the six months to September. Profits in Australia "continued to be affected by pressure on interest rate margins and increases in operating costs." It added: "Combined profits of the trading bank and savings bank domestic operations for the half-year were virtually at the same level as for the previous corresponding period."

Downturn at Esso Australia

By Our Sydney Correspondent

INDUSTRIAL DISPUTES leading to lower production from the lucrative Bass Strait oil and gas field were the main cause of a 5.9 per cent slip in net profits last year at Esso Exploration and Production Australia (EEPA), said the group. Nevertheless, the dividend paid to its parent, Exxon of the U.S., was unchanged at A$166m (U.S.$146m).

Net profit last year was A$176m, against A$187m in 1981. The company paid $1.88bn in state and federal taxes and royalties, representing 91 per cent of net sales revenue, and said that higher costs were incurred in production, as well as a stepped-up exploration programme.

The group's exploration, development and other capital expenditure last year totalled A$266m, 23 per cent more than in 1981, of which oil and gas exploration accounted for a record A$96m, against A$58m.

In Bass Strait, where the company is in partnership with Australia's Broken Hill Proprietary, its share of oil and gas development costs increased A$15m to A$114m, while spending on coal, synthetic fuels and minerals exploration and development totalled A$56m.

Peico suffers 38% fall

By R. C. Murthy in Bombay

PEICO ELECTRONICS and Electricals has reported sales up by 21.3 per cent to Rs 1.8bn for 1982 but pre-tax profits fell by 38 per cent to Rs 113.3m ($11.3m).

Mr C. J. Seelen, the chairman, said it became necessary to trade off margins against volume and quality of sales in the face of continuously rising costs and difficult economic conditions.

Peico has received a letter of intent from the Government for expanding production capacity of glass shells for high wattage special lamps by 15m units. The company is also modernising its factory at Pune in the western state of Maharashtra to produce high quality components needed by the electronics industry.

Lipton India to diversify

BY P. C. MAHANTI IN CALCUTTA

LIPTON INDIA, a subsidiary of Unilever of the UK, which blends and markets teas has made ambitious expansion and diversification moves.

The main thrust of the expansion and diversification scheme, according to Mr B. R. Shah, the chairman, will be in the direction of consumer product areas where the company's distribution network and marketing skills will provide a distinct advantage.

The most impressive diversification lies in a move to acquire from Hindustan Lever, another Unilever subsidiary, four factories producing edible fats and animal feedstuffs.

To implement the expansion and diversification programme, Lipton India has effected a capital reorganisation and expansion programme. Its authorised capital under the scheme is to go up from Rs 50m to Rs 250m and its paid-up capital from Rs 37.5m to Rs 157.5m, and a new capital issue of Rs 120m will be made in the near future. Unilever will subscribe to the issue to the extent necessary to maintain its 40 per cent holding.

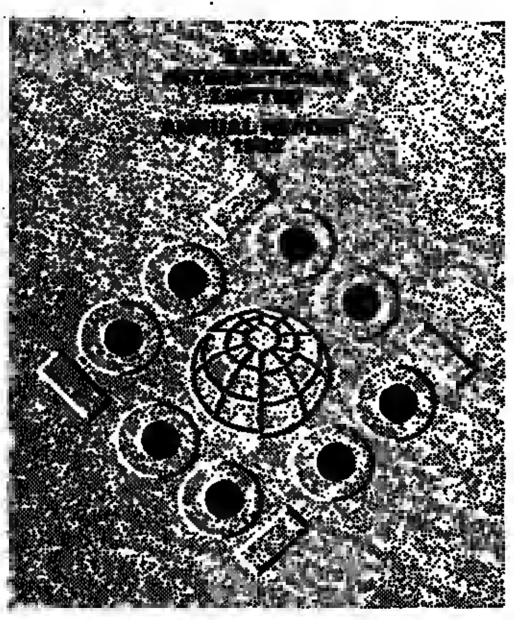
Lipton India's directors expect turnover to more than double to over Rs 2bn by 1985. For the year to June 1982 turnover came to Rs 843.7m, compared with Rs 697.7m in 1980-1981.

The company will pay a little over Rs 150m for the assets to be acquired from Hindustan Lever once the acquisition scheme has received legal sanction and approval from shareholders.

North American Companies

Investors Update 1

These eleven Annual Reports are designed to keep you informed on major North American companies.



AMCA International

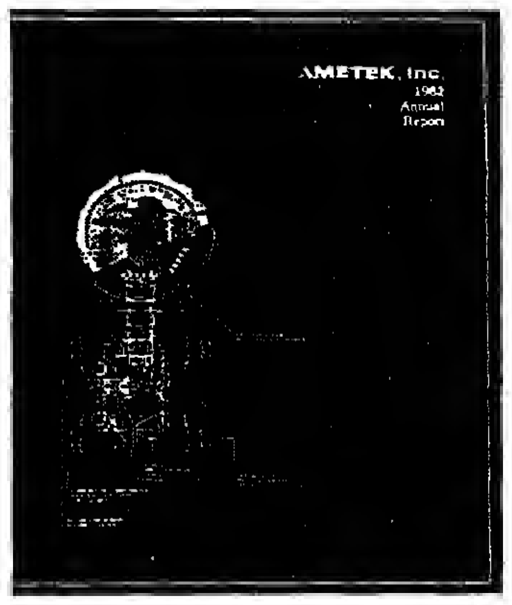
In 1982—despite the recession—AMCA's revenues of $1.5 billion and net operating income of $47.1 million were the second highest in our history. AMCA's roots are in bridge building. We began life *101 years ago as Dominion Bridge Company.* Today, AMCA International is a worldwide producer of a broad range of industrial products, construction equipment, engineering and construction services, and machine tools.

American International Group, Inc.

AIG is one of the world's leading global insurance organizations. It does business in over 130 countries and jurisdictions, and consistently derives close to half its revenues from overseas operations. In 1982, when the U.S. insurance industry lost approximately $10.4 billion, AIG was one of the few insurance groups to make an underwriting profit.

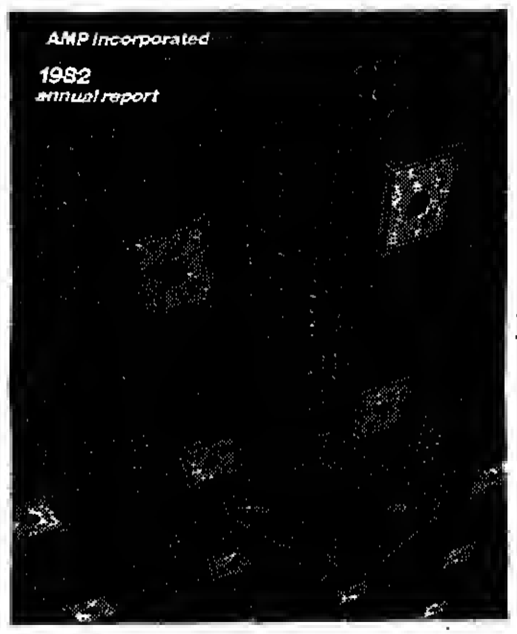
American Medical International

AMI owns, manages and develops hospitals and provides health care services to 500 communities throughout the world. Increased utilization of AMI facilities and services resulted in record earnings of $78.8 million or $1.67 per share, adjusted for a recent 4-for-3 stock split, on revenues of $1.4 billion in Fiscal 1983. Continued strong internal growth, coupled with the addition of new facilities in the U.S. and overseas, should ensure compound annual earnings gains of 20-25 percent over the next few years.



AMETEK, Inc.

Profits up in 1982, on slighly lower sales... But that's no surprise to people who follow AMETEK—the company's increased earnings in 45 of the past 48 consecutive quarters, for a decade of steady growth uninterrupted by recessions. Management focuses on Return on Investment, and stockholders' equity has trippled in that period as AMETEK added $150 million in new plants and equipment for fast-growing instruments, electric motors, specialty plastics and solar energy product lines.

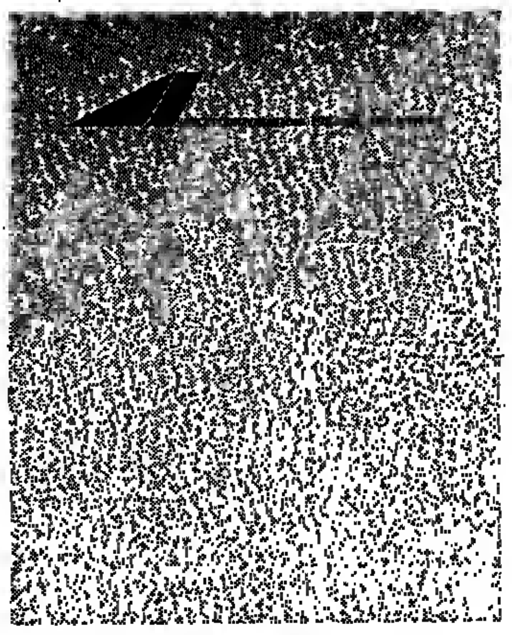


AMP Incorporated

Over 15% compound annual growth rate in sales, earnings & dividends for 31 years. Good growth expected in 1983.

	Sales (Mil)	EPS	Div
1982	1,234	$3.31	$1.40
1981	1,234	$3.75	$1.20
1980	1,155	$3.44	$1.00
1970	226	67c	19c

Steady Growth—through new products. Sales up all but 3 of 41 years. Nearly ¾ of sales electronics-oriented.
Broad Diversification—World's leading producer of electrical/electronic connection and switching devices—75,000 types and sizes, 85,000 customers. Subsidiaries and branches in 25 countries (AMP-N.Y.S.E.).



Avco Corporation

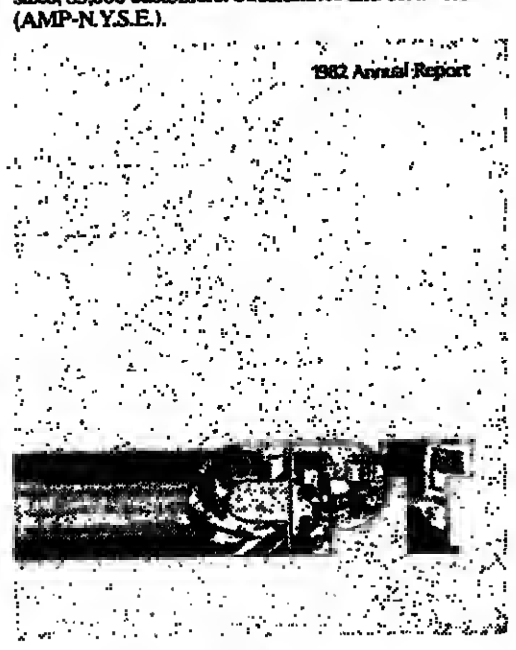
Avco Corporation (NYSE: AV) is a diversified operating company primarily involved in financial services, propulsion systems, aerospace technology and management services. For 1982, Avco reported $2.5 billion in revenues, more than $6 billion in assets and had a $2.0 billion backlog. Earnings from continuing operations increased 17% to $82 million. During the next several years, *the greatest opportunities for growth are expected in its aerospace* and defense-related activities.

Canada Cement Lafarge Ltd.

The Company operates manufacturing plants, finishing units, and distribution terminals strategically located from coast to coast in Canada and in the United States, through its wholly-owned U.S. subsidiary General Portland. It is North America's largest cement manufacturer.

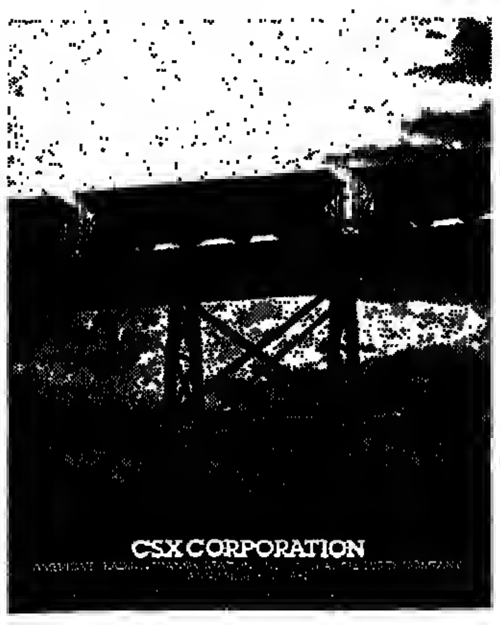
Cole National Corporation

With approximately 1,700 stores, Cole National has become one of the fastest growing specialty retailers. Prescription eyewear, crafts, engraved gifts, keys, cookies and toys are sold by Cole's six chains.
Child World, a toy supermarket chain accounts for over half of total sales.
Over the last decade, sales increased more than ten fold with compounded net income over 28% per year.



CPT Corporation

CPT Corporation, headquartered in Minneapolis, is a leading manufacturer of office automation systems with sales and service in more than 600 U.S. cities and in more than 60 countries. Revenue for fiscal year ended June 1982 was $145.0 million. Named by Inc. Magazine as one of the 100 fastest growing companies in the U.S., CPT's revenue growth was 43%, 71% and 75% for fiscal 1982, 1981 and 1980 respectively.



CSX CORPORATION

America's leading transportation and natural resource company, *with $8.1-billion in assets, recorded its second best year in 1982,* posting earnings of $8.10 per share.
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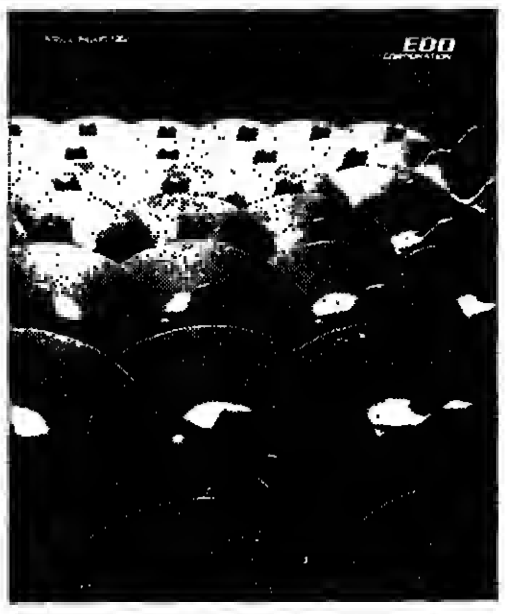

EDO Corporation

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Part of a 3 Page series, appearing on May 24, May 25 and May 26

Northern Telecom switches to a lead role in high technology

LITTLE MORE than a decade ago, Northern Telecom was a dreamy wholly-owned subsidiary of Bell Canada, manufacturing nearly all its products on licence from other suppliers.

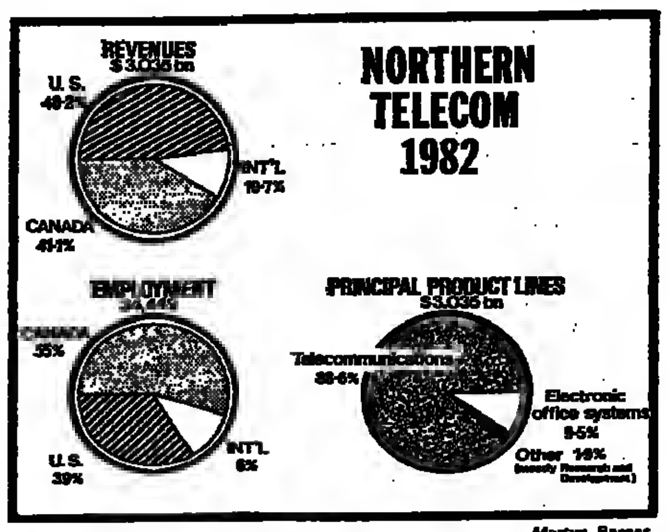
Today it is a pacesetter in telecommunications design, and the second largest equipment manufacturer in the field in North America. Its first quarter net profits of C$47.6m (U.S.$35m) before an extraordinary gain of C$7.6m were a record, up from C$33.6m a year earlier, building on record profits made last year despite the recession. Its shares have been among the best performers on the Toronto Stock Exchange and are trading near an all time high of C$115.

Northern Telecom's success is based on a high technology inspiration. In early 1976, the company announced it intended to leapfrog the competition by introducing a range of new generation digital telephone exchanges. It was a bold decision, costing several hundred million dollars.

NT had introduced a new generation digital private business switchboard system (or pbx), called the SL-1, the previous December, but there was no guarantee it could scale up its development to compete with the established analog technology in large scale public exchanges.

Its faith in its technicians proved well founded. By 1979, NT had a complete range of private business, local and trunk dialling exchanges on the market, and had given itself an estimated two to three-year lead over the competition. Sales of the new digital DMS (Digital Multiplex Systems) soared from C$269m in 1980 to C$646m in 1982, and turned profitable in the first quarter of 1981.

The decision to try to build NT into an independent and aggressive manufacturer was taken as a result of an internal Bell Canada report written by Mr Walter Light, now chairman and chief executive of NT, and the then president of Bell Canada, Mr Bob Scrivener, in 1968 and 1969. NT then had two-thirds of the Canadian market and an active research laboratory. For the company to go independent, it had to pour more money into research and to push into new markets.



Martyn Barnes

In 1971, Bell Northern Research—or BNR—now 70 per cent owned by NT and 30 per cent by Bell Canada—was set up to manage the research and development. Northern Telecom brought out an advanced analog pbx switchboard in the same year, and recruited an ex-International Telephone and Telegraph executive, Mr John Lobb to shake up the company. Within 18 months NT had been slimmed down by 3,000 people and 300 products.

Two years later, Bell Canada offered 10 per cent of NT on the stock exchange—its stake has since been diluted to 55 per cent.

Pbx sales to the U.S. were highly successful. NT and its Canadian competitor, Mitel, now have a combined 25 per cent of the U.S. market. The introduction in 1977 of the DMS-10, a relatively small local public exchange proved ideal for the independent non-AT&T telephone company wanting to switch from obsolete mechanical equipment. But the real breakthrough came in January 1980, when AT&T recommended the system as satisfactory for its own operating companies. It was the first time AT&T had recommended an outside contractor. NT, which in the 1950s had been a mere Montreal-based branch plant of Western Electric, AT&T's manufacturing subsidiary, had stolen a march on its old parant.

Not all NT's ventures have been so successful. Its attempt to move into electronic office systems by acquisition proved an expensive disaster. NT wanted to expand its computer-based communications expertise into the terminals which would form the base of the "office of the future." In 1978, it acquired two U.S. concerns, Sycor and Data 100. Amalgamation proved difficult, the latter two's top management departed, and in 1980, NT wrote off C$220m relating to the acquisitions, spoiling the company's growth record and plunging it into a net loss of C$185m. The problem, however, was still not solved. Last year the office systems division made an operating loss of C$98.5m.

The division has now been reorganised and is on target to be profitable by the end of the year. But the experience has made NT change its strategy towards supplying the office of the future. NT is now stressing its strengths in communications. The word on everybody's lips is "networks." Last year NT announced its "OPEN World" concept. OPEN is an acronym for Open Protocol Enhanced Networks. NT intends to provide the communications technology for other suppliers to bolt on equipment. The idea is for business executives to have access to data bases, computers and telephone voice and display terminals, linking the information with other offices around the world and ultimately with home computers as well.

Northern is offering the information necessary to allow its SL-1 pbx system to be compatible with other office systems for payment of a nominal once-and-for all licence, as in their own ways are several other telecommunications manufacturers. NT's network is the essential part of the system. At the same time, NT is working with data processing manufacturers to ensure easy integration of equipment and has announced agreements with Sperry Univac, Data General and Digital Equipment Corporation.

The rapid development of what Walter Light calls "the information age" is increasing the demand for digital equipment and for NT's fibre optics transmission systems that go with it. But, at the same time, competition is increasing. NT should benefit from the split up of AT & T next year, but so will other companies, each being able to compete on equal terms for Bell operating company business. AT & T's subsidiary, Western Electric, now has its own digital exchange, there is competition from the Swedish L.M. Ericsson and from GTE of the U.S. and in the pbx market from Mitel and the U.S.-based Rolm, and many others.

Last year Northern Telecom's U.S. revenues passed its revenues in Canada for the first time, and earnings this year from the U.S. are expected to be substantially higher than in the depressed Canadian market.

In the first quarter, orders, at C$788m, were a record. The U.S. accounted for 53 per cent of orders in hand at the end of the quarter, and Canada for 32 per cent.

NT is not likely to be passed with a technological breakthrough similar to the development of digital which has brought the company so much success. The threat is the improvements to the system that could be made by its competitors. Bell Northern Research is the largest private research organisation in Canada. This year, NT is spending C$285m on research, equal to 9 per cent of expected turnover, and with increased benefits given in the Canadian Budget, is considering increasing it. But that is a fraction of what its competitors can spend.

Nicholas Hirst

TECHNOLOGY

EDITED BY ALAN CANE

NEW ENGINEERING MATERIALS FOR AEROSPACE

Is the sky the limit for the new composite?

BY DAVID FISHLOCK, SCIENCE EDITOR

TWO ICI executives will spend much of their summer in California, trying to open what is seen as the company's first big opportunity in aerospace. Their wares are composite materials and components made of newly discovered resins reinforced with carbon fibre.

The resins are thermoplastics, inherently far tougher than the themosetting resins such as epoxies previously used to make composites. PEEK (polyether etherketone) was first made in the laboratory only in 1979. Last year ICI sold about 25 tonnes of PEEK reinforced with 50 per cent by volume (60 per cent by weight) of carbon fibres to make a composite tougher yet lighter than aluminium alloys. "It's one of the few businesses in which you can sell samples," jokes one of the ICI men.

But so confident is ICI Petrochemicals and Plastics division at Welwyn that it plans to scale up domestic production of PEEK at Hillhouse near Blackpool to 1,000 tonnes or more a year, and also to build a plant in the U.S. making another 100-200 tonnes a year.

The tough thermoplastic composites are the outcome of close co-operation between Petrochemicals and Polymers division and the New Science Group at ICI's research centre at Runcorn. With the aerospace industry talking of making half of an airframe from composite materials by the mid-1990s, it is "one hell of an opportunity," says Dr Bill Madden, the division's research director. Dr Madden says ICI's interest is focused exclusively on high-performance composites, not the commodity end of the market.

Neither is the company interested in making carbon fibre, an opportunity it declined in the late-1960s and has never regretted. But Dr Madden believes that by understanding how to blend PEEK with commercial carbon fibre he can increase the value of its raw materials five- or seven-fold. For this reason it is a major step for ICI, which traditionally would have been content simply to sell the resin.

Dr Madden estimates that he is spending about £2m a year on research and development to exploit the new market. In addition, he plans to invest about £750,000 over the next year in new facilities at Wilton to work out ways of fabricating and testing the composites, in order to reap the benefits not only of better performance for a given weight but of higher productivity in manufacture.

For example, the company believes it may have "the only machine in the world" that can roll carbon fibre composites. It hot-rolls a composite foil experimentally into the kind of channel sections the aircraft industry might use as stiffeners for airfare and wing skins.

It has also invented a novel bonding process it calls "sacrificial welding," using the conductivity of the composite itself to *fuse* the resin locally. "It's taking ICI into an arena we've never been in before," Dr Madden admits.

His men say they already have the ear of the aerospace industry in the U.S., where much Government money is already being pumped into the development of composites — for example, the all-composite wing of the AV-8B advanced Harrier for the U.S. Marine Corps. But in Europe, too, the aircraft companies have reached the "evaluation stage" of the new composites.

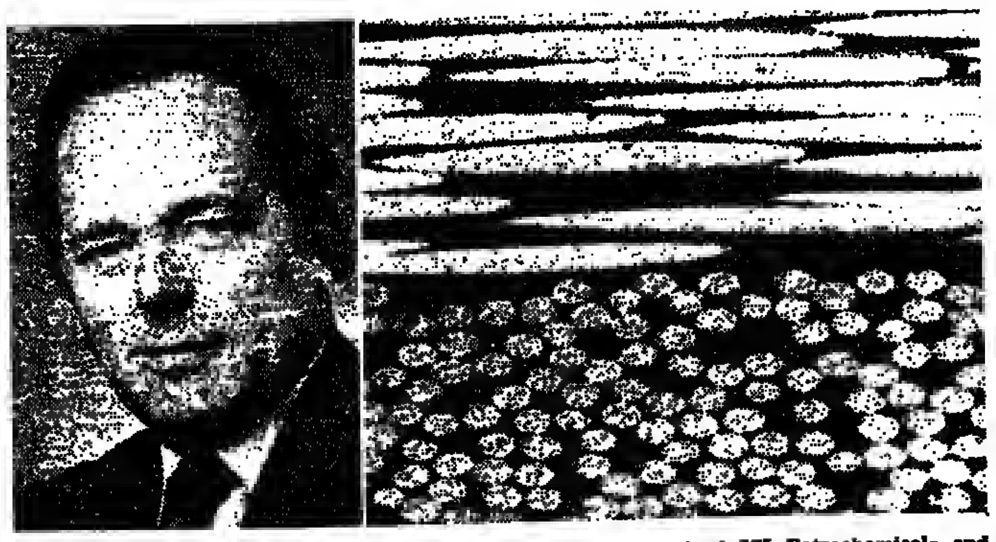
These composites of PEEK and carbon fibres are resistant to anything short of sulphuric acid by way of corrosives, and highly resistant to damage. Their toughness comes from the micro-structure of the composite, which has three main components, says Neil Cogswell, a rheologist studying the new materials at Welwyn. These are the organisation of the fibres, of which he hopes to push density as high as 80 per cent by weight; the crystalline texture of the resin; and the interface between fibre and resin.

According to Cogswell, the bonding between fibre and thermoplastic is completely different from the bonding between fibre and theromsetting resin. In this case he finds the crystallinity of the resin continues into the surface of the fibre, producing a much tougher bond. He believes the composite can confidently be assumed to retain its strength until there is visible evidence of damage, in contrast to metals, which can suffer an invisible loss of strength through fatigue.

One dramatic demonstration of the toughness of the composite is the fact that gear blanks can be punched from the sheet material. If this is attempted with a composite based on a thermosetting epoxy resin, the teeth shatter to powder.

Geoffrey Belbin, head of ICI's new materials group at Welwyn and a regular commuter to California in quest of sales of the new aromatic polymer composites (APC), sees his primary target as the aerospace industry "where the advantages of composites are recognised and there is enough knowledge of the deficiencies of existing systems."

Belbin has no doubt that, although there is interest in alternative fibres for reinforcement, such as Kevlar, "carbon fibre is clearly the lead player over the next decade." His task, as he sees it, is to convince the aerospace industry that ICI really does have a novel material "with the reliability you could trust your life to."



Dr Bill Madden, group director for research and development of ICI Petrochemicals and Plastics division, with right, micro-structure of ICI's aromatic polymer composite (APC) showing the very uniform fibre distribution. The section has been taken across a change in ply orientation

Office machines

Photocopiers from Canon

CANON IS to introduce a new range of photocopiers this week aimed at the medium to high volume user market. The company says that it has aimed at higher automation during photocopying. The new NP500 produces up to 50 A4 copies a minute, and has an automatic document feeder as standard.

In addition, the range has an easily removed colour developing unit which enable users to have a choice of copy colours. Initially cartridges which allow brown or black will be available though other colours will become available later in the year.

Data processing

Televideo computer

A 16 BIT personal computer which has 10 megabytes of hard disc storage has been introduced by TeleVideo in the U.S. The computer is based on the Intel 8088 microprocessor and offers 128k of internal random access memory, two RS-232C serial ports and a high-speed RS-422 serial port capable of interfacing with TeleVideo's personal computer network. More information on the system is available from TeleVideo on 0908 668778.

Software

Financial modelling

A NEW microcomputer systems and software distributor, Dataflex, started operating last week with plans to attack the fast-growing specialised financial modelling market.

Founded by David Low and Phillip Benge, the company is to distribute the Ferox financial modeller package in the UK. In the U.S. more than U.S.$3m worth of the Ferox modeller software has been sold. More details are available on 01-748 4176.

Unix and IBM

IN YESTERDAY'S article about Sphinx, we reported IBM as announcing the availability of the Unix operating system on its computers. IBM has asked us to make clear that although it is interested in Unix, it has made no such announcement so far.

VIDEO AND FILM

What politicians have to learn

BY JOHN CHITTOCK

WHICHEVER party wins the General Election next month, the frenetic activities of video, cable TV and even the old-fashioned cinema industry will give them plenty of scope for flexing their parliamentary privileges.

If Labour should win, recommended reading for the new term could be a report just published by the Department of Teaching Media at the University of Southampton.

Law students there, in this equality riddled society, have just used video to test a hypothesis that jury verdicts vary "according to the gender of the accused and the prejudices of the jury."

The experiment involved video taping a dramatised court case twice — once with a male defendant, and repeated with a female defendant; "juries" of different composition then each sat in judgment. An interesting idea, but the bad news for those who believe we live in an unequal society is that the experiment failed to confirm their prejudices.

Message

No doubt, the Conservatives might get more excited over a videocassette training kit just issued jointly by the Management Communication Centre and Bell and Howell — titled "Standing on Your Own Two Feet." The bad news in this case is that the message is not a political call for Thatcherism, but guidance for anyone who has to speak in public and make presentations to audiences.

For the Liberal/SDP Alliance, which has practised the art of political compromise, they might well examine the burgeoning growth of association and national organisations now representing increasingly fragmented parts of the media.

Latest is the Video Projection Association, close on the heels of the new video section of ACTT (the film and TV trades union), and the three-month-old Directors Guild of Great Britain (for the creators of programme and films) and last year's Audio Visual and Presentation Advisory Service.

More than 150 such organisations and associations now exist in Britain. Whichever party assumes power in the next Parliament, the domination of screen media in modern society has now become such a big and complex issue that it is now basic to an MP's political education — as much as economics or social history.

As the last Parliament closed its doors, Sir John Eden's Copyright Amendment Bill just scraped home to become law —and substantially raise the penalties for video piracy (fines up to £1,000 per pirated casette in a retailer's possession, plus up to two years imprisonment for anyone making illegal copies for commercial gain).

This is good news for the video copyright owners. But on the other side of Wardour Street, the cinema owners can be less than happy about another document presented to Parliament before close of business — the Monopolies and Mergers Commission report on the supply of films for exhibition in cinemas.

The commission has confirmed what the industry has known for years: that exhibitors and distributors operate in ways which are against the public interest — viz, they regulate the release of films to selected cinemas under a system know as barring, which prevents other cinemas from showing the same films. The commission has recommended that this system should be ended.

However, the cinema owners are facing a serious financial crisis and need all the help they can get from any government. One of the longest established of all those media organisations is the Cinematograph Exhibitors' Association, whose recent report to the retiring government referred at length to the serious social and economic effects if more cinemas in Britain were forced to close (unemployment, fewer leisure centres — especially for the younger age groups, economic repercussions on TV and cable both of which feed off the cinema, removal of an important showcase for later video releases).

The CEA want, most of all, abolition of the Eady Levy on cinema admissions; but as a mainstay of Britain's cultural tradition in motion pictures they deserve much more than that.

The next Parliament will certainly have to face up to these issues of financial and taxation policy relating to film, television and video. In spite of the fragmentation of the activities — and the divisive spread of departmental responsibilities within government — they are all now one industry: moving pictures for the public.

This convergence of the media has found some public presence at the National Museum of Photography, Film and Television, which opens in Bradford next month.

For anyone who believes that the cinema is an anachronism, a visit to Bradford will yield a reminder that the cinema remains unique and must be sustained. The museum now houses Britain's first Imax cinema theatre (referred to in this column recently)—a large screen, high quality film spectacle that even upstages the original Cinerama; its Press preview two weeks ago left everyone rather overawed.

Upheavals

Imax is new technology in an old industry unquestionably threatened by the economic upheavals of video, cable and satellites. Yet the film industry —like some immutable law of logic—remains a nodal factor in all the equations.

Paradox of the month to illustrate this is the statement at this year's forever-crowded Cannes Film Festival: "The Rank Organisation's film businesses are buoyant." Of course, one reason Rank's Film and TV Division could say this was because the company has embraced the new media as part of its traditional film business.

The next Parliament will thus find itself overwhelmed with media matters. New MPs will have to learn the subtle differences between the Video Trade Association, the Association of Video Dealers, the British Videogram Association and the Video Copywright Protection Society. Some, such as the Cable Television Association, have won their battles.

At least the newly-created Videograms Standards Council, a clean-up-video body that brings self-imposed certification to the industry, hopes to spare Parliament a job. No doubt Mrs Whitehouse will wait and see.

UK COMPANY NEWS

Trevor Humphries

Mr Garry Weston, chairman of Associated British Foods, which reports e five per cent profit increase tn £146.5m

AB Foods modest advance to £146.54m

A REDUCTION of £4.6m in profits from the UK was more than offset by an increase on the overseas side and for the year ended April 2, 1983, the taxable surplus of Associated British Foods was five per cent ahead at £146.54m, against £139.25m.

Sales for the period expanded by 13 per cent from £2.97bn to £3.37bn and a second interim dividend of 3.2p net lifts the total to 4.7p net per 5p share, compared with 4.3p previously.

Mr Garry Weston, chairman, says that the year was again a period of depressed consumer spending, and the group's lower margins are indicative of the highly competitive conditions in the markets served.

Results, he adds, also reflect a year of high interest—charges jumped from £16.31m to £29.08m—reorganisation, and revenue costs associated with e capital expenditure programme of £233m (£150m), "and the modest profit increase . . . must in these circumstances be considered once again to be satisfactory."

Profits at midway rose slightly from £57.9m to £58.8m and the directors believed they would he able to report profits at least eqnal to the record level achieved in 1981/82.

They stated that all of the group's major manufacturing divisions had been adversely affected by economic conditions and severe price competition with little price inflation in their major areas of operations.

Retailing divisions had made a satisfactory start to the year increasing both sales volume and profits in spite of intense and growing competition. The directors added that trading conditions would remain highly competitive throughout the second half of the year.

In the UK there was an increase in sales of £87m for the year, but overall profits were lower at £62.2m, but this was after charging a suhstantially higher figure for reoganisation and redundancy costs of over £8m, against £4m last time.

The group's retailing divisious had e satisfactory year; sales for the first time exceeded £1bn, e 12 per cent advance, and trading margins were maintained et 2.4 per cent. Trading profits were £2.7m higher at £25.8m.

Mr Weston says that the manufacturing division had n difficult 12 months mainly hecause of heavy reorganisation costs, a lack of buoyancy in the economy, and pressure on margins.

While the milling and baking companies maintained their previous level of trading profit, the biscuit company had a poor year and the manufacturing division's profits at £40.1m, were £6.1m lower.

UK finance and central charges were £1.2m higher at £3.7m.

Overseas sales, at £1.45bn, and profits of £84.3m show an increase of £310m and £11.8m respectively, the chairman points out. Currency realignment accounted for £117m of the rise in turnover and £8.2m of profits, being mainly attributable to the South African rand.

In Australia, the group's companies had "a particularly good year" and lifted profits by £4.6m to a record £18.2m.

Group trading surplus went ahead by £31m to £236.3m and the pre-tax figure was after depreciation, well np at £60.71m (£49.73m) and interest.

UK tax took £14.05m (£15.66m), overseas £26.79m (£23.73m) and after minority interests, £22.51m (£19.54m) and an extraordinary debit of £419,000 (£3.42m credit), the available balance was down from £83.74m to £82.77m.

After appropriations the retained figure was £65.71m, compared with £68.34m and earnings per share are shown as 23p (22.3p).

On e CCA basis the pre-tax figure is rednced to £99m (£93m) and earnings per share to 12.1p (11.2p).

See Lex

Futura meets forecast with profit of £0.33m

In line with the forecast, profit of Futura Holdings for 1982 rose from £225,447 to £334,848. The group is a footwear manufacturer end distrihutor, and improved its turnover from £4.63m to £5.03m.

The forecast was for a profit of some £325,000. A total dividend of 3.5625p, compared with 2.849p, has already been paid.

Mr N. Berry, the chairman, says the order book is reasonable, hut severe pressure on sales volume and margins continues. "Cost effectiveness and individual efficiencies continue to be, and must remain, the priority so that progress made to date can be maintained," he points out.

The profit included interest received almost douhled to £51,321. After tax £123,356 (£47,191). The net profit is £211,492 (£178,256). Earnings are shown at 27.63p (23.21p).

Tilling's forecast an 'ambitious profit plan'

THE FORMAL offer document for BTR's increased £655m bid for Thomas Tilling, the health care, construction materials, engineering and publishing group, has been sent to Tilling shareholders.

Sir Patrick Meaney, chief execntive of Tilling, dismissed the BTR hid last week as "derisory and rather lower than we had expected."

For its part, BTR cast doubt on Tilling's prediction of a £43.7m increase in profits this year to £95m. The prediction has been n bulwark of Tilling's hid defence.

BTR says in the document that the forecast was "no more than an amhitious profit plan based on e string of highly questionable assumptions and dependent on e substantial upturn in the world economy." The alternative to the offer is "continuing stagnation."

BTR said that with persons ecting in concert it had now purchased or received acceptances for an aggregete of 24.1 per cent of Tilling's capital.

BTR, an industrial holdings group, repented that the offer would not be increased, and that it would close on June 8, the eve of the General Election.

The offer is in two forms, e cash hid worth 225p per Tilling share—up 40p on the original offer—and an equity exchange of 11 BTR shares for every 20 Tilling shares.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
AB Foods .... 2nd int	3.2	Sept 5	2.9	4.7	4.3
Cakehread Robey	2.1	July 13	2.1	2.7	2.7
Concentric .... int	1.21	July 1	1.21	—	3.31
Cosalt .... int	Nil	—	1.5	—	3.5
English & Intntl.	4.5	July 27	4.25	6	5.75
Frank G. Gates	3	July 12	2.5	3	2.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM sto·

Yule Catto £10m programme of expansion

Yule Catto & Company, which has interests in plantations, industrial chemicals and building products, is giving great emphasis to enlarging and modernising its production facilities.

Revealing this in his statement accompanying the report and eccounts for 1982 Lord Catto, the group's chairman, says that including the important associete operations e capital investment programme has been initieted exceeding £10m which will be financed from existing resources.

He comments that irrespective of changes in the general business climate the benefits of more efficient production plant and energy saving schemes should enhance earnings within the next two years.

On the outlook Lord Catto saya that while there are indications that some recovery may be underway an assessment of the political and economic circumstances which could influence the group's businesses during 1983 is complex.

Any improvement in world trade, he tells shareholders, is likely to be uneven in its effects, perhaps with n slightly delayed recovery in certain of the group's overseas markets.

However, the chairman is confident that the shape of Yule Catto's businesses, its geographical spread, and the ebilities of its management teams should enable it to make the most of the opportunities presented.

As reported on April 29 the group returned profits of £6.58m pre-tax for 1982, an 11 per cent improvement over 1981's adjusted £5.92m.

Lord Catto says that although the groun was not unaffected by present day problems of production over-capacity and weak markets the overall result must be regarded in most respects as "better than expected."

MMT Computing heads for the USM

BY DOMINIC LAWSON

MMT Computing is coming to the Unlisted Securiteis Market by way of a placing of 380,000 shares et 60p each. At the placing price, the company is capitalised et £1.2m.

Since its foundation five years ago MMT has enjoyed unbroken growth in profits. In the year to August 1983 it is forecasting pre-tax profits of nbout £180,000—last year the company made £143,000. on turnover of £743,000.

At the placing price the prospective fully taxed p/e ratio is 13.9. The directors intend to recommend n net dividend for the current year of 1.59p a share, which nt the placing price would yield 4 per cent.

The company was formed by the current managing director, Mr Michael Tilbrook, and the sales director, Mr Dennis Thompson. It is engaged in the business of computer systems consultancy.

MMT does not confine itself to any one area of industry or commerce but has n client list of substantial corporate organisations and local authorities. Although these employ their own full-time data-processing staff, they repeatedly call npon the services of MMT for additional support.

The placing will not raise any money for the company as all the shares are being sold by existing shareholders. In particular, Mr Tilbrook is selling 116,000 shares, and Mr Thompson 216,000 shares. After the placing, which represents 19 per cent of the equity, the directors will retain almost 72 per cent of the shares.

Among its major clients, Marks & Spencer accounts for about 43 per cent of turnover and Honeywell about 17 per cent.

Brokers to the placing are Quilter Goodison. Dealings in the shares are expected to begin on May 31.

● comment

MMT Computing points out that the only thing which ensures it can outshine the vast number of other computer consultancies is the quality of its staff. This it aims to achieve by the simple expedient of paying its staff more than its rivals would. The size of the "creditors" in the balance sheet is testimony to that. The recruitment policy also lies behind the company's freehold property in Tenerife. It would have been only consistent if MMT had used its arrival on the USM to set up e share option scheme. Rather the main reason for the issue seems to be that the founders want to realise part of their investment. But with about £350,000 net cash, MMT is hardly strapped for money. The Marks & Spencer tie up is impressive in stock market terms, though M&Ss need for MMT's help is unlikely to be as consistent as, for example, its need for knitwear. Like many M&S suppliers MMT seems a conservative company, but even so its growth record and 20 per cent pre-tax margins suggests that the prospective multiple of under 14 pjlaced on the shares is too conservative by half. The crucial question for MMT is whether, in an industry notorious for head hunting and fragmentation, it can continne to keep hold of its brightest talents.

Godwin Warren seeks £0.57m for expansion

BY ALISON HOGAN

Godwin Warren Control Systems, which makes parking systems and railway huffers, is placing 1m ordinary shares of 25p on the Unlisted Securities Market to raise £570,000 of new funds for overseas expansion and product development.

At the placing price of 57p, the company is capitalised at £2m. The shares placed hy stockbroker Foster & Braithwaite, constitute 26 per cent of the total issued share capital. Dealings are expected to commence on Tuesday May 31.

Godwin Warren is one of the first management buy-outs to go puhlic. A consortium led by chairman Mr David Simpson acquired the company from GKN in 1979 with institutional backing.

The major shareholders are Touche Remnant Funds who after the placing will have 30.3 per cent. FFI with 7.5 per cent, Rothschild Investment Trust funds with 12.3 per cent and Foreign & Colonial Enterprise Trust with 9.0 per cent.

The pre-tax profit for the year to December 31, 1982 was £201,000 more than doubled from £97,000 in 1981 on turnover up from £2.56m to £3.08m. The company has not given a profit forecast for 1983, but forecasts a net dividend of 1.4p giving e yield of 3.5 per cent. The company says that et the placing price of 57p, the existing shares, excluding the placing, sell on a fully taxed historic p/e of 15.26.

Godwin Warren's customers for its parking systems and equipment include local authorities, supermarkets and airport authorities, in the UK and, more recently, in the U.S. Besides its computerised eutomatic parking systems, it has developed "Parkscan," e centralised system for car park monitoring, and "Magicard," the technology for a magnetically encoded card system.

The parking systems accounted for 48 per cent of turnover last year. Another 26 per cent of sales came from the railway and safety products side where customers incinde British Rail and the National Coal Board in the UK and the U.S., Europe and the Middle and Far East overseas.

● comment

The New York Port Authority and a Beverley Hills shopping centre is a prestigious entrance into the U.S. parking systems market. Godwin Warren will probably develop its business hy acquiring a U.S. company which can make its equipment there. It has 90 per cent of the £1m a year U.S. market and hopes to build up a greater share of the European £10m market against 8 competitors worldwide so far. It has had a patchy profits record. Some of that can be accounted for by its policy of writing off all R and D above the line and some to the teething problems of building e business eway from GKN. This year with a "very encouraging" order book and margins held if not slightly up, profits of £275,000 should be realisable with e higher turnover traditionally coming in the second half. It has a good product line with prospects of modest profit growth backed by an enthusiastic management team who are not ready to lose their independence yet. But sooner or later they will probably succumb to an offer from one of the big technology companies.

Cakebread Robey lower at year-end

Second half pre-tax profits at Cakebread Robey & Co were down from £367,000 to £341,000 and figures for 1982 as n whole were lower at £619,000 compared with £720,000.

At the interim stage, the directors said the fall in profits occurred because they were not able to secure enough additional profitable sales to cover increase in costs.

Turnover of this builders' and timber merchant was up from £14.39m to £15.09m at the year-end. Tax took £241,000 against £267,000, and there were no extraordinary items this time—there were credits of £145,000 in the previous year.

The final dividend is unchanged nt 2.1p for a same-again total of 2.7p net.

GKN shares hold steady on closing date

Yesterday marked the closing date by which GKN shareholders had to accept and pay for the new shares created by the £80m rights issue announced on April 12.

The cash call was on a one-for-three basis at 145p per share. Immediately before the announcement, the shares stood at 178p, but by the end of the first week of the offer, the shares had weakened to 156p.

However, since then the share price has held firm and yesterday it closed at 157p. The new shares in nil paid form have never fallen below 8p, and for the most part have been traded in the 10p-12p range. Such a margin indicates that the issue has been taken up to about 90 per cent by shareholders. But no official announcement is likely until tomorrow.

UK COMPANY NEWS

Acsis falls to under £50,000 for six months

THE CONTINUED depressed state in consumer spending on jewellery and the increasing pressure on gross margins has hit the figures of Acsis Jewellery, a USM company.

For the six months ended January 31 1983 turnover showed a slight improvement from £2.88m to £2.91m, but the profit fell from £202,000 to £49,000 and earnings per share from 3.3p to 0.09p. The current financial period will run for the 18 months to January 31 1984.

The main reason for the decline in profit was the reduction in mail order and wholesaling turnover. Bot important cuts in overheads have been made to eliminate future trading losses in those divisions.

Shop retailing, the principal activity, showed a significant lift in turnover, bnt gross margins were lower and, therefore, there was no material change in that division's contribution.

There is still no evidence of a general upturn in the jewellery trade, but the directors are maintaining the policy of increasing the group's market penetration.

In the current trading period there has been e "very satisfactory" increase in sales, although at continued reduced margins, which has been achieved through aggressive promotional ectivity.

Cifer placing on USM to raise over £2m

Cifer, e company wbose principal activities are the design, manufacture and sale of computer terminals, micro compoters and associated software, is coming to the Unlisted Securities market to raise over £2m.

Arrangements are being made for the company to join the USM by way of an offer for sale by tender by brokers Stock Beech and Co.

Cifer made profits of £851,000 in the year to September 1982.

Concentric markets more stable

ALTHOUGH FIRST half sales of Concentric, the Sutton Coldfield-based manufacturer of controls and assemblies for the domestic, automotive and engineering industries, slipped by only £699,000 to £21.23m profits for the period, to April 2 1983, fell from £667,000 to £458,000 pre-tax.

The net interim dividend, however, is maintaloed at 1.21p per *10p share—earnings* per share declined to 1.77p (2.82p).

The group bas suffered some severe setbacks since this time last year but the directors, headed hy Mr J. R. Bettinson, the chairman, say they are quietly confident that it has weathered the worst of the recession.

They point out that the greatest damage has come not so much from the depressed state of the group's markets bnt the rate at which the change in demand has occurred, especially in the more traditional areas where profitability has heen substantially eroded.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering *dividends. Official indications* are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Archimedes Investment Trust, Hardanger Properties, ICL, Ranks Hovis McDougall, Scottish National Trust, Btskie.

Finals: KCA International, Lancs. Northern American Trust, Parkland Textiles, *J. Sainsbury, TR Property* Investment Trust.

FUTURE DATES

Interims—	
Carr (J.) (Doncaster)	May 26
Carr's Milling	June 2
Lloyds Bank	July 29
Marler Estates	May 25
Spring Grove	*June 10*
Finals—	
Billam (J.)	May 27
Cable and Wireless	July 13
Cater Allen	May 25
Oelyn Packaging	May 26
Dominion International	May 31
Harrisons and Crosfield	June 2
Helical Bar	May 27
Moss (Robert)	June 1
Nimslo International	May 31
Sketchley	June 7
Trielus	June 2
Tronoh Mines Malaysia	May 25
Valor	June 6

The more specialised higher technology business is continuing to move forward and the directors are beginning to see some stability in the market place.

A certain amount of restructuring and investment, as referred to in January, is still under way and the group will undoubtedly benefit from this.

All reorganisational expenses have been taken above the line, *as is the group's policy.*

In January, Mr Bettinson said the depressioo which many of the group's companies experienced in the second balf of last year, particularly the severe reductioo in demand for engine components in September, had continued into the current year.

He added, bowever, that corrective action taken ensured that the group cootinued to trade profitably but that non-*recurring expense involved* would result in only a "modest achievement" in the opening half.

He looked forward to a recovery in the second six months as benefits of recent investmeot and restructuring began to emerge and market share cootinued to increase.

Group pre-tax profits for 1981-1982 totalled £1.12m and a final dividend of 2.1p was paid.

Stainless marginally oversubscribed

The offer for sale of 3.35m shares of Stainless Metalcraft at 120p each has been marginally oversubscribed. Last Friday a statement on behalf of the company claimed that the offer bad heen "substantially oversubscribed." In fact, applications were received for a total of 3,715,600 shares, an oversubscription of just under 11 per cent.

Applications from the underwriters for 1,315,000 shares have been accepted in full. Basis of allotment for the balance of 2,029,500 shares is as follows: 200 to 5,000 shares—in full; 5,500 to 25,000 shares—approximately 90 per cent; 30,000 shares and above—approximately 90 per cent up to a maximum of 195,000 shares.

No applications for between 25,000 and 30,000 shares were received.

Letters of acceptance and return cheques will be posted on Thursday, and dealings will begin on the Unlisted Securities *Market the following day.*

Southwest Resources well ahead at £1m mark

IN ITS first figures since its introduction to the Unlisted Securities Market in January, Southwest Resources reports pre-tax profits of £1m compared with £610,000. Turnover of this oil, gas and mineral exploration company was up from £1.78m to £2.63m in the period to March 31 1983.

Results include Southwest Consolidated Resources for the year to March 31 1983, plus Southwest Rsources (formerly Burma Mines), for 15 months to March 31. Comparative figures represent Southwest Consolidated Resources for the year to March 31 1982, plns Southwest Resources for the year to December 31 1981.

After tax of £44,000 (£37,000) and minority debits of £8,000 *(£23,000 credits),* attributable profits improved from £596,000 to £952,000. Stated earnings per 10p share were 0.97p against 0.61p.

The directors say the results reflect continuing emphasis oo oil and gas production in the U.S. with profits before tax increasing by 65 per cent. They *say the balance sheet of the* enlarged group emerges in sound condition with net assets of approximately £20m and borrowings under £3m.

The current year, they add, should see a further strong advance in production revenue, including the first full contribution from several producing interests acquired in the latter part of the last financial year.

During this period of the company's development, the board considers that it is best to retain earnings for investment, and a one-for-one scrip is proposed. At the same time, to assist dealings in the U.S. markets where its shares are also traded, it is proposed to consolidate every four shares of 10p each into one of 40p. This will effectively reduce the oumber of shares in issue *from approximately 100m* to 25m, subject to adjustment for the proposed scrip.

As part of the 8th round of licensing in the North Sea, Southwest and its partners are being granted a licence covering Block 44/23, comprising some 59,000 acres about 50 miles north of the Viking gas field.

Previous drilling on the block by British Petroleum has shown the Triassic Bunter Sandstone at approximately 5,000 feet to be gas bearing. Southwest bas a 7 per cent interest in the group.

In the mining sector, Corowall is the bright spot, with the tin, tungsten and silver projects at Redmoor mioe and Haye south both progressing well.

Frank Gates scrip and dividend lift

Second half profits of Frank G. Gates, main Ford dealer, have fallen from £668,000 to £411,000. This gives a total of £107m for the year 1982, compared with £1.3m. Turnover rose by £3.74m to £36.93m.

The dividend is being lifted *from 2.5p to 3p net,* and the directors propose to make a scrip issue on the basis of 1-for-4.

After tax £493,000 (£530,000) and last time an extraordinary debit of £11,000, the year's net profit came out at £576,000, compared with £760,000. Earnings are shown at 8.6p (11.4p).

Jackson Expltn. price dives on dry well news

By David Dodwell

News that Jackson Exploration, the oil company floated two years ago on the USM, bad drilled a dry well offshore Bruoei stripped almost £50m off the value of its shares yesterday.

Mr Melvin Jackson, the cbairman, had hoped to tell shareboiders gathered at the company's annual meeting that he had struck oil. Drilling had *taken place just 400 metres from* a proven concession developed by Brunei Shell.

Within minutes of Mr Jackson announcing that the well was dry, Jackson Exploration shares plummeted. They ended the day 120p down at 150p. The value of its issued share capital was pared from £108m to £60m in a matter of hours.

"Of course were were disappointed," Mr Jackson said after the meeting. "But in the oil business, yoo appreciate the risks. It was e good prospect, and it involved low risk. But with 17 prospects to explore, we still have a long way to go."

Jacksoo Exploratioo has 17 oil coocessions offsbore Brunei, where Shell has been pumping up oil since the 1920s, making the conservative Islamic sultanate one of the world's richest states.

The company's rig is to be moved to drill e secood well in the sea off Brunei's east coast. *Results from this well* should be known by July.

Apart from its activities io Brunei, Jackson hes a substantial seismic programme offsbore East *Kalimaotan in nearby Indonesia.*

UK COMPANY NEWS

Cosalt losses increase at midway

FOR THE 26 weeks ended February 27 1983 Cosalt, ships' chandlery, caravans, systems building group, suffered higher pre-tax losses of £220,000 compared with £107,000 last time.

Mr John M. T. Ross, chairman, says that although the current estimetes for the yeer show that e profit will be earned by the group, the outcome remains uncertain and the next four menths' trading "can alter the result either way."

The directors, therefore, feel unable et this stage to recommend payment of an interim dividend (1.5p), but it will be given further consideratien et the year-end.

For the whole of the 1981-82 year there were pre-tax profits of £254,000 and the distribudon ameunted to 3.5p net per 25p share.

Turnover fer the 26 weeks totalled £18.59m (£15.77m), including £3.36m (£1.88m) of exports, and there were trading prefits of £258,000, against £314,000 previously.

A divisienal analysis of both turnover and trading surplus shows: ships' chandlery £9.75m (£8.75m) and £486,000 (£428,000); caravans £5.93m (£5.49m) and £164,000 loss (£27,000 profit); system building £1.42m (£259,000) and £138,000 loss (£277,000); refrigeration and air conditiening £923,000 (£1.13m) and £63,000 less (£45,000 profit); finance and aviation £570,000 (£135,000) and £137,000 (£91,000).

With turnover np by nearly £3m, the chairman says that it might have been thought that the group was experiencing good demand end a return to profiteble trading. "However the half-year was more difficult than that, with profitable sales in meny cases being replaced by extremely marginal business."

In the ships' chandlery division, which showed an increase in both sales and trading profit, the improvement came from the factories rather than the branebes, some of which experienced much lower levels of demand, especially those concerned with supplies to the offshere oil industry. The present indications are that this situation wil improve during the summer months.

In April, agreement was reached with the Ministry of Defence to enter into a one-year management contract ef the ropeworks et the Royal Naval Dockyard at Chatham, with the intantien of signing a lenger lease next year when the future ownership of the dockyard will have been settlad. This move enables Cosalt to offer its customers e mnch wider range of ropes ef own-manufacture, Mr Ross states.

Fer the first time since the group commenced caravan manufacture in 1966, a loss is reported from this activity. This was due to e much lower profit from Cosalt Caravans et Grimsby and e continued loss from Cosalt Holiday Homes at Hull.

Altheugh it is expected that both sides of the business will be profitable during the second half ef the year, the adverse weather conditions to date bave done nothing te stimulate what was already a very depressed market. Despite the difficulties of this season, "our confidence in the long-term profitability of this division is undiminished."

Cosalt Adda Systems continues to give cause for concern, the chairman says. The ill-fated contract in Algeria, which gave rise to the exceptional provision required in last year's accounts, will be completed in e matter of days from now. Although costs have exceeded the provision, credits are coming through which will more than offset the over-run.

A further overseas contract has been won and completed successfully during the current year, but this company is finding it difficult to generate sufficient UK business to give it a firm base for the future, Mr Ross peints out.

The refrigeration and air conditioning division had a poor level of trading in the half-year, and tha position has not greatly improved to date. However, the two new acquisitions, Cesalt Nlcholson of Leeds and Lawton Sheet Metal ef Oldham, acquired in January and March respectively, are performing well.

The improved results of the finance and aviatien sector reflect the successful completion of a contract by DK Aviation. This cempany is experiencing a high level of activity from which it is expected that further contracts will ensue, the chairman says.

Pre-tax figure was after interest charges of £478,000 (£421,000). Tax was £17,000 (nil), minority interests were £2,000 (nil), preference payments £39,000 (same) and after extraordinary credits ef £3,000 (£14,000 debits), the effributable loss came through at £275,000, against £160,000.

Loss per share is given as 2.75p, compared with 1.46p.

● comment

Cosalt must be cursing the heavens. Floods and lightening hindered the final stages of its disastrous Adda system building contract In Algeria. In the UK having seen its caravan division slip inte the red for the first time in the six months to February it has found demand, which usually picks up in the spring, dampened by the wet weather. Although current estimates point to a return to profit for the company at the year-end, the outcome is as nncertain as a long-range weather forecast. Cosalt had 9 per cent of the caravan market befere Caravan International went into receivership in December. CI is back in business but it is early days to guage the effect en the market and margins ef other companies incinding Cosalt. Cosalt had heped its Adda systems would provide an all-year-round source of income, but the small number of contracts it has managed to pick up is making the company serieusly eppraise the future of this division. Its refrigeration and air conditoning division is performing in e desultory fashion leaving the ship's chandlery division to make most of the running. Even here, the £38,000 increase In profits owed more to improvements in efficiency than an upturn in demand. The share price fell 6p to 29p.

RESULTS AND ACCOUNTS IN BRIEF

SIMON ENGINEERING—Results for 1982 reported en April 25, 1983. Shareholders' funda £94.68m (£87.57m): fixed assets £59.83m (£56.36m): net current assets £67.31m (£50.7m): Increase In net liquid funda £8.88m (decrease £3.81m). Meeting: Stockport on June 13 at noon.

H. & J. QUICK GROUP (passenger and commarcial vehicle dealer)—Results for 1982 reported on April 13, 1983. Shareholders funds £5.19m (£5.49m): fixed assets £4.62m (£4.34m): current assets £8.64m (£8.7m) including debtors £3.18m (£2.98m): current liabilitias £7.4m (£6.96m) including bank overdrafts £2.97m (£3.04m) and creditors £4.09m (£3.57m): net current assets £1.25m (£1.74). Oacrease In working capital £497,000 (£354,000). Componsation for lesa of office £25,000 (nil). Meeting: Old Trafford, Manchester, Jona 6, 11 am.

PETROCON GROUP (speciallst services to ell and gas eaploration industries)—Rasults fe: 1982 and current year prospects reported April 25. Group shareholders' funda £5.14m (£4.23m). Fixed assets £1.49m (£902,489). Net current assets £2.57m (£2.68m). Increase In working capital £2,403 (£1.42m). Meeting: Waybridga, Surrey, June 10, 12.30 pm.

SCOTTISH MORTGAOE AND TRUST (investmanl trual)—Results for year anded March 31, 1983, reported April 22. Fixed assats (investments) £304.49m (£169.7m). Net current liabilities £9.86m (£1.28m assets). Shareholdem' funda £240.89m (£151.58m). Meeting, Edinburgh, Juna 16, 11 am.

ARGYLE TRUST (financ'al services, Insurance broking)—Results for 1982 reported April 21. Fixed assets £8.52m (£10.03m. Current assets £1.43m (£2.02m). Current liabilities £3.79m (£3.75m). Shareholdare' funda £7.63m (£8.28m). Bank loana and overdrafts £1.45m (nil). Meeting, 10 St Mary at Hill, EC, June 17, 9.30 am.

JOHN FOLKES HEFO (engineering, Industrial preperty)—Results for 1982 reported May 5. Grouo fixed assets £10.06m (£10.34m). Shareholders' funda £16.15m (£16.06m). Nat current assets £9.11m (£8.49m). Increase in working capital £616,000 (£1.56m decrease). Meeting, Birmingham, June 13, noon.

IRISH WIRE PRODUCTS—Management accounts for year ended March 31, 1983, indicate a loss of I£386,000. As a result of this, directors took steps to arrange new and additional financing facilities from the Bank of Ireland, tha Industrial Credit Company and Foir Teoranta so as to help secure its financial position.

GILL AND DUFFUS GROUP (merchanting and broking)—Results for 1982, reported April 14. Group fixed assets £24.89m (£17.19m). Nat current assets £52.47m (£61.75m). Shareholders' funds £83.85m (£84.44m). Meeting, 14-20 St Mary Axe, EC, June 14, noon.

ALLEBONE AND SONS (footwear retailer and manufacturer)—Results for year to January 31, 1983, reported on April 23. Shareholders' funds £4.89m (£4.84m): fixed assets £3.98m (£4.42m); current assets £3.13m (£3.06m); current liabilities £1.95m (£2.38m): net current assets £1.19m (£593,000). Meeting: Rushden, Northants, June 16, at 11.30 am.

HESTAIR (vehicles, censumer products)—Results for year to January 31, 1983, already known. Shareholders' funda £16m (£14.85m); fixed assets £9.79m (£9.99m): current assets £28.55m (£27.48m): current liabilities £21.91m (£16.94m): net current assets £6.65m (£8.56m). Chairman says group now has the largest order book In its history and he views the futum with more confidence than for some time. Meeting: Dorchester Hotel, Park Lane, W, June 15, at noon.

BERRY PACIFIC (STERLING) FUND—Net income £153,687 for year to end-March, 1982. Net assets £24.23m. Dividend 5p gross per share, already announced.

GARNAR BOOTH (tanner and leather manufacturer)—Results for year to January 31, 1983 already known. Shareholdem' funda £11.35m (£10.99m): fixed assets £7.46m (£7.34m): current assets £20.32m (£19.48m): current liabillties £16.04m (£15.61m): net current assets £4.29m (£3.97m): Increase In working capital £228,000 (£662,000 decrease). The chairman says that In the present uncertain economic climate, it is difficult to forecast the future, but all factories in the group are extremely active and he anticipates satisfactory trading throughout 1983. Meeting: Grange House, 84-86 Borough High Street, SE, June 16, 2.30 pm.

WINTERBOTTOM ENERGY TRUST—Nat asset value per ordinary share et close of business on May 20 was 71p after deduction of prior charges at par, and 73.3p after deduction of prior charges at market value.

BIDS AND DEALS

U.S. buying pushes Dunlop up further 4p

By Charles Batchelor

SHARES OF Dunlop Holdings, the bard-pressed UK tyre-maker, rose a further 4p to 81p yesterday despite a statement from the company that it bad received neither a bid approach nor any information about a significant new sharebolding having been taken up.

Trading volumes were well down yesterday compared witb the end of last week but interest was sufficient to push the company to a new 1983 high, valuing it at £116.5m.

With much of the buying roming from the U.S. brokers generally took the view that Pegi, the Malaysian group wbicb already bolds just over 26 per cent, was not in the market.

Pegi could bave taken its holding up to 29.9 per cent by buying in the Far East or London where thece are plenty of willing sellers without pushing the share price up, they argued.

Brokers also tended to dismiss speculation that a U.S. tyre group such as Goodrich or General Tire and Rubber was buying a stake from which to launch a bid.

U.S. tyre groups have been reducing their European involvement recently and could probably pick up any attractive part of the company in which they were interested without taking over the entire group with its near £400m worth of debt, they said.

The volume of recent buying suggests that more than straightforward speculation on the share price is involved but bcokers were stumped as to the reason.

The recent spate of take-over bids in the UK for companies quoted at well below their asset valne could bowever have prompted U.S. investors to the conclusion that Dunlop was one of the last remaining groups in this category.

WILSHAW SHARE LISTING SUSPENDED

The share listing of Wilshaw Securities, manufacture of bydraulic presses and equipment, bas been temporarily suspended at the company's request pending clarification of its position.

The directors asked for the listing to be suspended following requests by the company and its subsidiary to their bankers to appoint receivers.

For the year to July 31, 1982 the group incurred pre-tax losses of £210,521 (£19,614). A lack of sales volume, due mainly to an absence of orders in a depressed home market, led to a fall in turnover from £1.36m to £1.29m.

Senior agreed bid for Green's

Senior Engineering Group, trader in engineering products, has made a £7.35m agreed bid for Green's Economiser Group, Wakefield-based concern.

The terms are seven Senior shares plus 195p cash for every five Green's ordinary. On the basis of Senior's closing price last Friday of 25.5p the bid value Green's at £7.35m or 74.7p per sbare.

Last night Senior shares closed at 24p, down 1.5p, while Green's shares moved up by 13p to 73p.

Green's and its financial advisers, consider the offer fair and reasonable, and will unanimously recommend acceptance.

Green's Directors intend to accept in respect of all their shares.

Irrecocable undertakings to accept have been given by certain sharebnlders in respect of 2,112,808 shares (21 per cent)—Senior does not bold any shares in Green's.

Accepting sbareholders will have the right to elect to receive the ronsideration in different proportions, provided that in aggregate the amounts of Senior shares and cash to be issued or paid by that rompany will remain tbe same and elections may be scaled down ecrordingly.

This right of election will be open nntil the first closing date of the offer. For this purpose the value of a Senior share will be 25.5p.

Tha new Senior sbares to be issued pursuant to the offer will not rank for the final dividend of 0.75p in respect of 1982.

Westminster Prop. in joint venture with Landmark

BY DAVID DODWELL

The beleaguered Westminster Property Group bas reached agreement on a joint venture with Landmark International Hotels to develop a 175-coom four-star hotel in Albufeira in Portugal's Algarve.

Mr Patrick Ravenhill, Westminster's chairman, said yesterday that planning permission now had to be sought in Portugal—as did the financial package to fund the building of the hotel.

The terms of the joint venture bave yet to be finalised, and are unlikely to be straightforward, since Westminster already owns the land on which the botel will be built.

On adjoining land, Westminster hopes to build a boliday village. Discussions with the planning anthorities are at an edvanced stage, Mr Ravenhill said yesterday.

Westminster is currently locked in battle with St Piran, e e mining and house-building group owned by Mr Jim Raper through his master company, Gasco Holdings of Hong Kong.

Mr Raper bas, since February, built up a 29.99 per cent stake in tha company.

In a sometimes vitriolic proxy battle, Mr Raper has asked Westminster to provide details of a £500,000 commission paid on the sale of a property in Lisbon. The company bas so far refused.

Mr Ravenhill said yesterday that operations in Lisbon were seen as quite distince from those in Albufeira—except that both had been adversely affected by the poor state of the Portuguese economy in recent years.

Porth Textiles strengthened

BY ROBIN REEVES, WELSH CORRESPONDENT

The A. J. Gooding Group is taking over the management control of Porth Textiles, the South Wales based maker of Christmas decorations, with an option to purchase a majority stake in the company.

The move follows the Gooding Group's recent takeover of the vacuum metallising and cable tapes division of Porth Textiles.

Vacuum metallised paper is used in the packaging industry and is expanding its market share at the expense of cellulose and plastic films in areas traditionally dominated by laminaled foils, notably food, drink and tobacco packaging. Speciality tapes for power and communication cables are another important growth area.

The existing management at Porth Textiles is to be strengthened by the appointment of Mr David Taft as managing director, with further support from Gooding Gronp executives. Mr Klaus Benedict, chairman and managing director of Porth Textiles, is to rontinue his connection with the company as non-executive chairman.

Hollas sells Thrells for £0.25m

Hollas has exchanged contracts for the sale of its subsidiary, Thrells to B. R. Investments (1975), a company controlled by its chief executive, Mr Merton Lewis and his family.

Since the acquisition of Thrells by Hollas in April, 1980 and notwithstanding two profitable trading years, the anticipated benefits of the gronp have not materialised, and several major factors have affected the performance and expansion potential of Thrells.

BR Investments will acquire Thrells for £250,000 payable as to £100,000 cash upon completion, which is expected to take place on June 30, 1983, and the balance of £150,000 12 months thereafter. In addition, Thrells will declare an interim dividend for the year to March 31, 1983 of an aggregate amonnt equal to £89,000 payable to Hollas on January 2, 1984.

At completion, the inter-gronp indebtedness of Thrells to Hollas will amount to approximately £161,000 of which £36,000 will be payable on January 2, 1984 and the balance on July 1, 1984. This indebtedness, together with the proposed interim dividend will be secured by e second floating charge over the assets of Thrells. The company bas agreed to payment of the indebtedness and proposed dividend being made in two tranches on January 2 and July 1, 1984 as this is a condition of continuing bank support to Thrells.

During 1983/84 Thrells will surrender to Hollas or its subsidiaries, all its trading losses for tax purposes in respect of the year to March 31, 1963 without any payment. This will produce a minimum benefit of £250,000 to Hollas. At completion, Mr Lewis will resign as a director of Hollas and his service contract will be terminated by mutual consent withont any compensation. He and his family will also cepay to Hollas £167,000 which had been paid on eccoont of further consideration pursuant to the terms for the acquisition of Thrells by Hollas.

Proceeds of the sale of the sbares of Thrells, together with the other matters to be finalised at completition, inclnding cepayment of the inner group indebtedness, are expected to amount in total to £917,000.

Tudor Photo in £1.35m sale to LRC Intl.

FOR A consideration of £1.35m in casb, LRC International, bas acquired the pbotographic processing business of Tudor Photographic Group.

LRC has acquired tbe fixed assets and stocks of this division and will continue to operate with the existing relevent staff from the laboratories and offices at Cricklewood, north London.

Tudor presently supplies over 2,500 retail customers. Sales for 1982 in this activity amounted to some £6.5m.

The transaction does not involve the Tudor wholesale bnsiness nor the mail order photographic processing business operated under the name Filmcare.

Tudor says it will now concentrate its strengthened resources on expanding domestic and worldwide wholesale and product sales, and establishing Tudor pbotographic laboretories overseas.

KUNICK HOLDINGS

Kunick Holdings bas reacbed agreement to acquire the whola of the issued sbare capital of Miltet Investors from members of the Robinson family and others, and of the Farringford Hotel, Freshwater.

The consideration for the acquisition of Millett Investors is to be £138,000 in cash and the issue to the vendors of 6m ordinary shares of 10p each in the company. The ronsideretion for the acquisition of the Farringford Hotel is to be £200,000 in cash and the issue of 3m ordinary shares of 10p eacb.

Burnett pays £6m in U.S. expansion

BY RAY DAFTER, ENERGY EDITOR

Burnett and Hallamshire, the open-cast mining, oil and property group is to buy the U.S. mining group, PBS Coals for $10m (£6.25m).

The move will increase Burnett and Hallamshire's U.S. workable coal reserves from about 50m tonnes to well over 500m tonnes and raise the annual production from 1m tonnes to 5m tonnes.

"We believe that as far as the U.S. is concerned, we bave now become a major force," said Mr George Helsby, chairman of B and H which in October raised £32m through a rights issue.

PBS Coals, which bas been acquired througb the B and H American bolding company Mincorp, operates in Pennsylvania and West Virginia. Overall, the PBS group has over 1bn tonnes of in-situ coal reserves and a production capability of at least 4m tonnes a year. It owns four major coal preparation plants—eacb with access to East Coast export terminals—as well as 19 large draglines and a full range of support equipment.

In the year ended May 31, 1982, PBS made a pre-tax profit of $6.2m from a net tangible asset base of $7.7m. The dicectors of B & H said it valued plant and equipment in excess of tbe figure shown in the balance sheet.

Mr Helsby said that B & H had been seeking a mining company with e quality of roal that could be sold both in the U.S. and in the export market. About half of the PBS output was exported, mainly to the Far East. Mr Helsby said that in the ligbt of the depressed state of the world coal trading business, it was unlikely that B & H would seek further U.S. mining acquisitions in the foreseeable future.

Under the deal announced yesterday, 24 per cent of the PBS shares (1,200) is to be bought by Minrorp for $2.4m with cash and notes; the notes will bear interest at 10 per cent compounded quarterly.

Mincorp has two options to purcbase the balance. It cen either: purcbase 54 per ceni of the sbares (2,700) on or before June 2, 1986 for $5.4m in cash or notes and buy for $2.2m tbe remaining 22 per cent (1,110 sbares) between June 2, 1984 and June 2, 1986 in casb or notes; or under e one-day option, exercisable on June 6, 1986, acquire 76 per cent of the PBS shares (3,800) for $7.8m in cash and notes.

PBS Coals bas two main sites: Somerset County, Pennsylvania where it bas access to reserves of 700m tonnes of high quality metallurgical coal, and Preston County, West Virginia, where its subsidiary Kingswood Mining Company has more than 150m tonnes of medium volatility steam and roking roal, and another subsidary, Allegheny Mining Corporation, bas over 200m tonnes of medium quality steam coal.

MINING NEWS

Wanted: a guide for the gold traveller

BY KENNETH MARSTON, MINING EDITOR

"IT TRAVELS. Sometimes it soars," says the slogan to a picture of a Krugerrand in the latest issue of the Krugerrand Bulletin published by the International Gold Corporation, the gold promotional organisation of South Africa's Chamber of Mines.

At the moment, however, the price of gold is doing little more than mark time. World sales of the golden Krugerrands dropped sharply in April to 132,915 ounces from 602,234 ounces in March but, to be fair, they fluctuate sharply from month to month and the total for the year to date at 1,465,094 ounces is only 2 per cent down on that for the same period of 1982.

The question is: where is the gold price going to head for when it can be said truly to be travelling again? It is a vital question at a time when prices of South African gold shares, boosted by a demand from the Cape, may be said to be looking expensive in the absence of any indication of an imminent rise in the bullion price. They were looking weary yesterday.

Valiantly, Kruggerand Bulletin says that "a consolidation of the price at around current levels represents a healthy base for future growth." Well it would, wouldn't it? Still, there could be much in what the Bulletin says and it quotes Keith Shaw of London stockbrokers L. Messel to support this view.

In a recent report he commented: "We see the recent pause in the gold price as purely temporary and remain confident in our view that there is currently a bull market for bullion that will last for over two years. Western governments will not be able to resist the political-economic pressure to reflate industry and this will force interest rates back up and cause inflation to rise.

"Coupled with the continuing banking fears and the worsening position of the developing countries, we see the gold price over $500 (it is currently $433½ per ounce) by the year-end and approaching $600 by the end of 1984 . . . we see $450 being broken shortly and then a fairly rapid rise to $500."

How do other brokers feel? Ian Wright of Laing and Cruickshank agrees that the bullion price is in a period of consolidation," which could continue until the autumn when the price will move upwards again, possibly quite sharply.

He thinks a price of around $500 by the end of the year is a quite realistic expectation. He points to an acceleration in the pace of monetary reflation in the U.S. which "is trying to get commodity prices up and interest rates down in order to get the U.S. banks off the hook in regard to their lending problems with the third world countries."

This spells inflation and currency uncertainties, both of which move money into gold. Peter McPartland of Panmure Gordon takes the view that although inflation will stay low in the short term, inflationary expectations still remain high and a gradual economic recovery will lead to rising fabrication demand for bullion. He sees an average price of around $500 for the next 12 months.

Mike Long of Sheppards and Chase says: "We remain convinced that gold will move higher, and would regard any setback as a buying opportunity." Tom Freeman of W. Greenwell foresees a gradual increase in the gold price as the value of the dollar falls against other currencies and physical demand is maintained. He also thinks the price could reach, or surpass, $500 by year-end.

Running through all these generally bullish views, however, one can detect a thread of caution. Julian Baring of James Capel puts his finger on it when he says that while there are several factors that should have the price already moving ahead it still refuses to do so. That troubles him.

However, all gold travellers will be able to take a fresh look at the scene today with the publication of the latest details of the gold scene in "Gold 1983." Prepared, as last year, by Louise du Boulay, copies of this authoritative annual survey can be obtained from **Consolidated Gold Fields at 49, Moorgate, London EC2R 6BQ.**

Le Nickel to cut production

IN THE wake of last week's announcement of a reorganisation of France's non-ferrous metals industry comes news of cuts in output and a proposed reduction of stockpiles by Societe Le Nickel (SLN).

M Georges Lemoine, France's minister for overseas territories, said that SLN plans to cut its production from last year's 36,000 tonnes of nickel to 24,000 tonnes this year, and also intends to reduce its stocks of unsold metal by 12,000 tonnes.

One of SLN's four main mines in the French Pacific territory of New Caledonia will be closed

Platinum prospect for GFSA

WHILE NOT denying that platinum figures among its exploration targets, Gold Fields of South Africa (GFSA) has never been particularly forthcoming on the results of its efforts in this direction.

This is quite understandable, as the exploration programme is still in its early days. GFSA's reticence has, however, led to a certain amount of speculation as to its prospects in platinum, and it will be helpful to shareholders if the next annual report, due in the autumn, contains some hard information.

The Johannesburgh stockbroker Davis Borkum Hare is the latest organisation to come up with a set of estimates on GFSA's platinum prospects, with some quite encouraging figures.

London's Consolidated Gold Fields, which holds 48 per cent of GFSA, would not comment on the details of the Davis report, and contented itself with saying that the exploration programme is continuing.

All the signs are that the brokers have done their homework thoroughly, and their estimate of about 350m tonnes of Merensky Reef at a recovery grade of 5.5 grammes of platinum group metals per tonne of ore is probably not too far wide of the mark.

More speculative, however, is the estimate that the total tonnage could rise to somewhere above 600m tonnes if the UG2 Reef, which typically lies parallel to the Merensky about 30 metres below, is mined in conjunction with it.

Davis suggests that a possible mining rate might be around 2.4m tonnes of ore a year, to produce about 410,000 ounces of platinum group metals and gold. Capital costs might be of the order of R450m (£266m) in current money terms.

The deposit GFSA is examining is known to be adjacent to the Amandelbult section of Rustenburg Platinum Mines' operations, which is already being mined successfully.

This suggests that GFSA is unlikely to encounter any new mining or metallurgical problems, if it decides to take the deposit into production.

The opening of a mine would still be some years away, however, *probably towards the end* of the decade. GFSA will want to study the marketability of its proposed product over the next 20 years or so very carefully.

The new mine, if it does go ahead, would potentially add about 10 per cent to South Africa's current production.

BIDS AND DEALS

Bunzl bids £4.35m for Transparent Paper

By David Dodwell

Bunzl, the UK paper and packaging group, has mounted a £4.35m agreed bid for Transparent Paper, the loss-making cellulose company which has recently emerged from two years of major reorganisation.

The offer is in two forms: a share offer of nine ordinary Bunzl shares for every 50 shares in Transparent, and a cash offer of 55p per Transparent share. The share offer valued Transparent shares at 57p at last night's closing prices.

Transparent will form part of Bunzl's industrial division, which includes UTP Packaging, a company which, like Transparent, prints flexible packaging materials principally for the food industry. The two companies—one in Bury and the other in Saffron Walden—will continue to operate independently, sharing research and development. Bunzl assured the 640 employees at Transparent that their rights would be safeguarded.

Only two weeks ago Bunzl unveiled a £22.4m deal to acquire seven paper distribution companies in the U.S

Transparent paper made pretax losses of almost £2.2m in the year to March 31 1982. A two-year survival plan has meant the closure of its cellulose manufacturing plant, and the loss of 700 jobs.

Transparent shares rose 7p to end the day at 56p yesterday, while Bunzl shares slipped 3p to 317p.

THROGMORTON TRUST/PENTLAND INV.

Following the Throgmorton Trust's announcement that it has received sufficient acceptances of its offers to give it control of the Pentland Investment Trust, Mr R. Erskine-Hill, chairman of Pentland, says he cannot recommend that ordinary shareholders should remain as minority investors in Pentland.

He says in a letter to shareholders that the directors still feel however, that the terms of the ordinary offers are unattractive compared with the alternative of unitisation.

Shareholders thus have the choice of selling their Pentland shares in the market, or of accepting the offers. He adds: "If you accept the ordinary offers, you will be able to sell the Throgmorton securities which you will receive, and re-invest in securities which may be more suited to your requirements."

The ordinary offers have become fully unconditional and remain open until further notice. The preference offers have also become fully unconditional.

APPOINTMENTS

Changes at Grand Metropolitan

The board of GRANDMET CATERING SERVICES is being re-structured. A new six-member UK contract services board has been established to develop the company's interests in all areas of catering, vending, total housekeeping, and security services. Members of the board are: Mr Martin Clayton (finance director), Mr Tony Coles (director of UK operations), Mr Peter Smale (marketing director), Mr Dick Turpin (managing director) and Mr Antony Ward Lewis (managing director, Grandmet Vending). Mr Coles, previously director of the Eastern division, Grandmet Catering Services, will now he responsible for the operation of the four divisions of Grandmet Catering Services.

Mr Michael A. Coombe has been appointed gronp pensions manager of GRAND METROPOLITAN from July 1 on the retirement of Mr A. Griff Shepherd. Mr Peter R. Styles has been eppointed deputy group pensions manager, from July 1.

★

Mr Stuart Alexander has been appointed a director of KENCHINGTON LITTLE INTERNATIONAL of London and Doba. Mr Alexander joined Kenchington Little International as Chief Engineer in 1980 having previously worked for their associated company, Kenchington Little and Partners.

★

Mr G. R. Moore has been appointed an assistant director of C. E. HEATH AND CO. (INTERNATIONAL).

★

Mr J. A. de Laszlo and Dr R. B. Sims bave joined the board of DAVID SHEPPARD AND PARTNERS.

★

The INSTITUTE OF MANPOWER STUDIES has elected Sir Frank Cooper, formerly Permanent Under Secretary, Ministry of Defence, Mr N. K. Gardner, Under Secretary, Department of Employment, Mr M. E. Quinlan, Permanent Secretary, Department of Employmant and Professor Sir Peter Swinnerton-Dyer, Master, St. Catherine'a College, University of Cambridge, to its Council. Mr Quinlan and Sir Peter Swinnerton-Dyer bave also been elected vice-presidents of the Institute.

★

Mr David S. Van Pelt, Citibank senior vice-president and institutional bank division head for the UK, Scandinavie, Ireland and South Africa, has been appointed division head for Northern Europe. This new position incorporates additional responsibility for Belgium, Luxembourg and The Netherlands, and the regional offices for argribusiness and construction and engineering located in Paris. Mr Van Pelt will contioue to be based in London. Mr Kent DeM. Priee, senior vice-president, has been appointed country corporate officer and institutional bank bead for the UK. Based in London, he will be responsible for co-ordinating and supervising the hank's diverse husinesa activities throughout the country. Prior to this appointmeot, Mr Price, spent three years as country cororate officer for Citibank in Hoog Kong.

★

At the annual meeting of CLIFFORD'S DAIRIES Mr G. Clifford and Mr C. F. Coster retired by rotation and did not seek re-election as directors. Mr G. Clifford has been chairman of the board for 21 years and has been appointed the company's first president. He is succeeded as chairman, on a part-time basis, by Mr L. D. Randall who has been a non-executive director for the past two years. Mr Randall is an executive director of Fitch Lovell.

★

Mr Ian W. St. C. Scott, the assistant chief accountant of the BANK OF SCOTLAND has been appoinled manager, corporate planning departmeot, following the death of Mr Alan Jessiman.

★

Mr J. R. Elford bas been eppointed a director of LEASE PLAN UK. He continues as general manager of the company, a subsidiary of Lease Plan Holding of the Netherlands.

★

Mr Chris Yates bas resigned as managing director of RADIO WEST. Until such time as a new managing director is appointed Professor Glynne Wickham, the chairman and chief executive, will take overall responsihility for the general conduct of the station.

★

MANUFACTURERS HANOVER TRUST has appoioted Mr Douglas Robson and Mr Colin J. Willard assistant vice-presidents.

★

Mr Mike Swingler has been appointed to the board of WHITECROFT. He is chief executive of Whitecroft's lighting interests and has been managing director of Moorlite Electrical, Whitecroft's largest subsidiary, since 1973.

★

Five directors have beeo appointed to SCOTTISH EXHIBITION CENTRE: Mr Dick Stewart, leader of Strathclyde Regional Council; Ms Jean McFadden, leader of the administration, City of Glasgow District Council; Mr James Boyd, director and financial adviser of the Denholm Gronp, Mr James Miller, chairman and managing director of James Miller and Partners of Edinhurgh and Mr Loigi Stucchi, director of Stucchi Brentwood Hotels and Stucchi Catering Services.

★

Mr L. G. Petar will be joiniog the partnership of stockbrokers GILBERT ELIOTT AND CO on July 1.

★

Mr A. E. Stone, director and chief general manager of Leeds and Holbeck Building Society, has been appointed national president of THE CHARTERED BUILDING SOCIETIES INSTITUTE.

★

Mr Brian Thomas has been appointed managing director of METROTECT. He was deputy managing director of D. Anderson and Son and will remain an executive director of the company with responsibility for finance and administration. Both Metrotect and Anderson are members of the BPB Industries Group.

★

Mr Allan Hewitt, formerly sales manager of Logica's office automation company, Logica VTS, has been appointed managing director of BUSINESS HOUSE SYSTEMS, the software subsidiary of the Hill Samuel Group.

★

GENERAL SURETY AND GUARANTEE COMPANY, a subsidiary of the Swiss Reinsurance Company of Zurich, has made the following changes: Mr S. E. Phillips, chairman, has retired and been appointed honorary president; Dr Hermann K. Odermatt, e general manager of Swiss Reinsurance Company has heen appointed chairman; Mr John E. Phillips, a director and general manager of Trade Indemnity, has been appointed e non-executive director; Mr C. E. Geiser and Mr E. C. Smith bave retired.

CONTRACTS

GEC wins £7m Saudi switchgear order

GEC HIGH VOLTAGE SWITCHGEAR has obtained an order worth £7m for SF6 (sulphur hexafinoride) metalclad gas insulated *switchgear* (GIS) *from* Fiscbbach and Moore International Corp., electrical and mechanical contractors, Dallas, Texas, for the Tabonk Electricity Co., Saudi Arabia. The U.S. consultents for the overall project wbich includes civil works, overhead transmission lines, power transformers, cables etc ere International Engineering Co. Inc., San Francisco. The order is believed to be the largest received in the UK for GIS equipment and covers the supply of five 145 kV suhstations. These substations are part of a power avstem expansion project for the City of Tabouk and the contract also includes 33 kV and 13.8 kV switchgear. Delivery of the first stage is required by March 1984. The 145 kV indoor double busbar nhase *integrated switchgear* is manufactured at GEC HVSL factories at Trafford Park, Manchester, and Stafford. Similar GIS equipment was commissioned in 1981 at the City Road substation of London Electricity Board, the first 145 kV installation of this type in the UK.

★

DOWSETT ENGINEERING CONSTRUCTION has been awarded a £2.7m contract to build a training college in Harrogate, for British Telecom north *east*. A *£963,000 contract has* been awarded for the construction of an engineering and transport centre at Scarborough by the Property Servicea Agency et Leeds, acting for British Telecom.

★

TOWCO GRATTE has been awarded a £1.3m contrect for the design, management and construction of building services—mechanical, electrical and plumbing—at the Chinese Embassy in Portland Plece.

★

THE TOTTY BUILDING GROUP, *of Bradford, has* won a contract, worth about £750,000, to build a three-storey office block lo Station Road, Cheadle Hulme, Greater Mancbester. The contract, which includes car parking, access road and landscaping, bas been placed by the developers, House of Orange Developments. Work on the office hlock is scheduled for completion next spring.

★

BICC has received contracts totalling £5.7m for the supply of overhead power conductors and FIBRAL composite conductor to SAE of Milan for use in Saudi Arahia on a 380 kV power line. The FIBRAL conductor, operating as an earth wire, also provides a high capacity communications link via an optical cable located at its centre. The contracts have been nlaced with BICC Metals, aluminium division, Prescot, Merseyside.

★

Hertz Rent a Car bas increased its purchasing order with the FORD MOTOR CO in the UK to more than £12.5m so far this year. *Letest addition to the Hertz* fleet is the limited edition Ford Fiesta Finesse, which is expected on the UK fleet lata May.

★

THORN EMI ELECTRONICS has a pre-prodnction order from Hunting Engineering worth several million pounds leeding to provision of sub systems for the new JP 233 airfield attack weapon *system*.

★

TURRIFF CONSTRUCTION has been ewarded a contract worth over £3.8m by British Gas for construction of an operational control centre for North West Gas in Blackpool. The company bas e £3.3m contrect from Guardian Assurance for building a four-storey office block and detacbed block of three-storey flats at London Road, Bromley. Turiff also bae e £265,000 contract from the Property Services Agency, Eastern Region for the conversion of 28 MFU to 18 adequate MFU's at RAF Upper Heyford.

★

Orders from France totalling £2m bave been won by STRACHAN HENSHAW MACHINERY, Bristol. They have come from two leading printers which have both ordered printing presses for the production of paperback books. They are L'Imprimerie Bussiere, and Brodard and Teupin.

★

American Medical International Inc has awarded a $5m (£3.2m) contract to SHANNING INTERNATIONAL for the total bospital equipment package for a naw geoeral acute care bospital in Quito Ecuador. The Hospital Metropolitano, acheduled to open in July 1984, will consist of a 150 bed, 105,000 sq ft feciliity with 50 physician offices.

★

A £1m plus contract for weatherproof louvred ventilatioo on the British Gas Morecambe gas field development has been ewarded to COLT INTERNATIONAL, Havant. The louvre was specified by management services contractors Brown and Root (UK) and design by Matthew Hall Engineering.

£10m orders for Sperry

SPERRY has won two overseas contracts totalling over £10m. Under a $12m (£7.7m) contract from Lufthansa, the Computer Systems operations of Sperry is to develop the Lufthansa Integrated Information Network, LIFTNET, for the airline's worldwide computer communications complex. LIFTNET enables terminal users and Sperry, IBM and Amdahl bost computers to communicate with one another through a singla communications network. Users will also have access to other privete and public communications networks. LIFTNET will include gateways to Datex-L (X-21) and Detex-P (X-25), the German public data networks. The system will use the standard Sperry Telcon system for intelligeot network communications as well as Sperry Communications Management Syslem 1100 (CMS 1100) software. One of Italy's economic and business informetion network operators, Cerved SpA, bas ordered a $4m (£2.57m) large scale computer system from the computer systems operations of Sperry. The Sperry 110/91 will he installed in Padua, northern Italy, in the second half of 1984.

BASE LENDING RATES

A.B.N. Bank	10 %	■ Hambros Bank	10 %
Al Baraka International	10 %	Heritable & Gen. Trust	10 %
Allied Irish Bank	10 %	■ Hill Samuel	§10 %
Amro Bank	10 %	C. Hoare & Co.	†10 %
Henry Ansbacher	10 %	Hongkong & Shanghai	10 %
Arbuthnot Latham ...	10 %	Kingsnorth Trust Ltd.	11 %
Armco Trust Ltd.	10 %	Knowsley & Co. Ltd. ...	10½ %
Associates Cap. Corp.	10 %	Lloyds Bank	10 %
Banco de Bilbao	10 %	Mallinhall Limited ...	10 %
Bank Hapoalim BM ...	10 %	Edward Manson & Co.	11 %
BCCI	10 %	Midland Bank	10 %
Benk of Ireland	10 %	■ Morgan Grenfell	10 %
Bank Leumi (UK) plc	10 %	National Bk. of Kuwait	10 %
Bank of Cyprus	10 %	National Girobank ..	10 %
Bank of Scotland	10 %	National Westminster	10 %
Banque Belge Ltd. ...	10 %	Norwich Gen. Tst.	10 %
Banque du Rhone	11 %	P. S. Refson & Co. ...	10 %
Barclays Bank	10 %	Roxburghe Guarantee	10½ %
Beneficial Trust Ltd....	11 %	Royal Trust Co. Canada	10 %
Bremar Holdings Ltd.	11 %	Slavenburg's Bank ...	10 %
Brit. Bank of Mid. East	10 %	Standard Chartered ..	‖10 %
■ Brown Shipley	10 %	Trade Dev. Bank	10 %
Canada Perm't Trust	11 %	Trustee Savings Bank	10 %
Castle Court Trust Ltd.	10½ %	TCB	10 %
Cayzer Ltd.	10 %	United Bank of Kuwait	10 %
Cedar Holdings	10 %	United Mizrahi Bank...	10 %
■ Charterhouse Japhet...	10 %	Volkskas Intnl. Ltd. ...	10 %
Choulartons	11 %	Westpac Banking Corp.	10 %
Citibank Savings	¶10 %	Whiteaway Laidlaw ...	10½ %
Clydesdale Bank	10 %	Williams & Glyn's ...	10 %
C. E. Coates	10½ %	Wintrust Secs. Ltd. ...	10 %
Comm. Bk of N. East	10 %	Yorkshire Bank	10 %
Consolidated Credits...	10 %		
Co-operative Bank	*10 %		
The Cyprus Popular Bk.	10 %		
Duncan Lawrie	10 %		
E. T. Trust	10½ %		
Exeter Trust Ltd.	11 %		
First Nat. Fin. Corp.	12½ %		
First Nat. Secs. Ltd.	12 %		
Robert Fraser	10½ %		
Grindlays Bank	‡10 %		
■ Guinness Mahon	10 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6.75%, 1-month 7.00%. Short-term £8,000/12-months 8.35%.
† 7-day deposits on sums of: under £10,000 6¾%, £10,000 up to £50,000 7¼%, £50,000 and over 8½%.
‡ Call deposits £1,000 and over 6¾%.
‖ 21-day deposits over £7,000 7¼%.
§ Demand deposits 6¾%.
¶ Mortgage base rate.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Authorised Units—continued

Offshore and Overseas—continued

Offshore and Overseas—continued

Insurances—continued

LONDON TRADED OPTIONS

Option	Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Brit. Petroleum (*376)						
300	86	26	—	2	3	—
550	55	66	—	4	8	—
360	36	48	56	11	18	26
390	24	36	42	26	34	42
420	12	22	—	50	54	—
Cons. Goldfields (*567)						
460	117	125	—	3	8	—
500	95	92	102	7	22	27
550	40	60	78	25	40	45
600	20	38	50	52	60	67
Courtaulds (*95)						
70	25	27	—	1	1½	—
60	15	17	20	1	5	4
90	8	11	16	4	7	8
100	4½	7	10	12	14	15
Commercial Union (*162)						
120	46	42	—	1½	1½	—
100	36	39	—	2	3	—
140	29	32	36	2¾	6	7
160	13	19	23	10	12	14
180	5	12	16	23	26	26
G.E.C. (*318)						
190	50	58	—	2	8	—
200	34	42	50	6	10	14
220	20	30	38	15	22	26
340	11	20	28	26	30	34
260	5	—	—	44	—	—
Grand Met. (*004)						
280	61	—	—	5	—	—
000	43	50	57	5	8	11
030	27	06	44	14	12	21
060	15	23	51	32	55	37
090	6	13	—	58	59	—
I.C.I. (*464)						
530	144	—	—	6	—	—
060	114	120	—	6	4	—
020	86	92	—	5	7	—
420	60	70	90	8	14	18
460	56	48	68	20	50	32
500	14	29	38	42	60	54
Land Securities (*511)						
260	52	60	—	2	—	—
290	32	41	—	5	7	—
300	17	27	56	11	15	18
000	6	16	25	27	01	36
Marks & Spencer (*199)						
180	26	32	—	4	8	—
200	18	21	01	11	14	17
220	7	11	19	25	27	29
240	5	—	—	45	—	—
Shell Transport (*500)						
090	110	124	—	1½	2	—
420	88	26	—	2	8	—
460	52	62	72	5	14	18
500	26	52	48	28	30	34
850	10	16	—	60	66	—

Option	Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Barclays Bank (*463)						
360	113	—	—	2	—	—
390	85	—	—	3	—	—
420	55	73	—	2	13	—
460	33	62	67	20	28	43
500	15	27	35	45	55	70
Imperial Group (*114)						
110	12	15	18	5	7	9
120	6	9	11	10	12	14
130	3	4½	—	18	19	—
LASMO (*276)						
210	83	90	—	3	4	—
230	63	75	—	5	9	—
250	52	65	—	12	22	—
270	37	55	—	23	55	—
280	—	—	55	—	—	40
290	27	—	—	40	—	—
300	—	33	43	—	48	53
320	15	—	—	60	—	—
330	—	23	—	—	85	—
Lonrho (*21)						
80	15	17	—	2	6½	—
90	7½	9½	12	5	8	9
100	0½	5	7	12	14	17
P. & O. (*216)						
110	111	—	—	2	—	—
120	101	105	—	2	1	—
150	91	95	—	2	2	—
140	81	85	—	2	3	—
160	61	65	—	3	6	—
180	46	50	53	11	12	16
200	05	07	41	12	22	28
220	25	28	61	28	32	36
Racal (*489)						
420	92	107	—	4	11	—
460	62	77	95	10	22	35
500	42	57	68	30	40	50
550	21	—	—	65	—	—
600	7	—	—	115	—	—
R.T.Z. (*579)						
390	—	—	—	—	—	—
420	182	—	—	—	—	—
460	142	—	—	2	—	—
500	105	125	—	6	11	—
550	72	87	100	16	27	32
600	38	57	67	40	60	60
Vaal Reefs (*120)						
90	52	34½	—	1½	4	—
100	23	27½	—	0½	7½	—
110	17½	32	—	7	11	—
120	12½	18	22	11½	16	18
130	7½	13½	17	17½	21½	24
140	4	9	—	—	—	—

Option	Calls June	Calls Sept.	Calls Dec.	Puts June	Puts Sept.	Puts Dec.
Beecham (*383)						
360	40	53	38	9	14	20
520	20	38	48	20	29	05
420	5	22	35	40	45	50
Guest Keen (*157)						
135	25	32	55	5	5	8
155	15	21	25	8	15	15
176	4½	10	15	21	24	25

Total Contracts 2,182 Calls 1,432 Puts 750

* Underlying security price.

*

International Arts Guide

The Financial Times International Edition publishes a comprehensive guide to all major artistic functions in Europe and North America every Friday.

The latest productions in the visual and performing arts are listed while Financial Times critics offer topical reviews of the most recent cinema premieres in London.

The guide also appears in extended form daily with particular emphasis on music (Monday), opera and ballet (Tuesday), theatre (Wednesday) and exhibitions (Thursday).

*

INSURANCE & OVERSEAS MANAGED FUNDS

London A'deen & Nthn. Mtl. Assur. Ltd.
129 Kingsway, London, WC2B 6NF. 01-404 0393

'Asset Builder'	62.9	66.2		—

London Indemnity & Gnl. Ins. Co. Ltd
18-20, The Forbury, Reading 583511.

Money Mngr April 29	58.2	62.1		—
NMFlexible April 6	50.3	53.0		—
Fixed Interest April 29	53.4	56.3		0—

London Life Linked Assur. Ltd.
100, Temple St., Bristol, BS1 6EA. 0272-279179

See adjacent Page Mon-Fri and Stock Exchange Page Sat.

London & Manchester Gp.
Winslade Park, Exeter EX5 1DS. 0392 57155

Invest. Tst. Fd. Cap	[illegible]	—	-0.2	—
Invest. Tst. Fd. Acc.	[illegible]	—	-0.1	9.9
Property Fund Cap.	[illegible]	—	-0.1	—
Property Fund Acc.	[illegible]	—		3.7
Flexible Fund Cap.	[illegible]	—	-0.9	—
Flexible Fund Acc.	[illegible]	—	-0.8	5.5
Fixed Int. Fd. Cap.	[illegible]	—		—
Fixed Int. Fd. Acc.	[illegible]	—		—
Gtd. Deposit Fd. Cap.	137.7	—		—
Gtd. Deposit Fd. Acc.	[illegible]	—		—
Equity Fund Cap.	[illegible]	—	-2.1	—
Equity Fund Acc.	[illegible]	—	-2.1	—
International Fd. Cap.	[illegible]	—	-0.4	—
International Fd. Acc.	[illegible]	—	-0.4	—
Capital Gwth. Fd.	[illegible]	—	-2.9	—
Moneymaker Fund	[illegible]	—	-0.6	—
Exempt Inv Tst Cap.	381.2	—	-0.1	—
Exempt Inv Tst Acc.	388.8	—		—
Exempt Inv Tst NS.	387.6	—		6.0
Exempt Poty Cap	185.5	—	-0.1	—

Property Growth Assur. Co. Ltd.
Leon House, Croydon CR9 1LU. 01-680 0606

Property Fund	283.7		—
Property Fund (A)	276.1		—
Agricultural Fund	1081.5		—
Agric. Fund (A)	1054.1		—
Abbey Nat. Fund	224.9		—
Abbey Nat. Fd. (A)	224.0		—
Investment Fund	132.5		—
Investment Fund (A)	130.1		—
Equity Fund	387.1	-0.9	—
Equity Fund (A)	380.1	-0.9	—
Money Fund	210.0		—
Money Fund (A)	206.1		—
Actuarial Fund	210.9		—
Gilt-edged Fund	184.4		—
Gilt-Edged Fd (A)	184.4		—
Retire Annuity	346.8		—
Immed. Ann'ty.	195.0		—
International Fd.	253.0	-0.5	—
Bldg. Soc. Life Fd.	101.2		—

Property Gth Pens & Annuities Ltd

All Weather Ac. Uts.	251.1	264.3		—
Inv. Fd. Uts.		281.9		—
Pension Fd. Uts.		242.6		—
Conv. Pens. Fd		275.9		—
Cnv. Pns. Cap. Ut.		209.7		—
Man. Pens. Fd.		313.3		—
Man. Pens. Cap. Ut.		247.3		—
Prop. Pens. Fd.		271.5		—
Prop. Pens. Cap. Uts.		208.9		—
Bldg. Soc. Pen. Ut.		242.4		—
Bldg Soc. Cap Ut.		189.1		—
Gilts Pens. Fd		162.4		—
Gilts Pens. Fd. Cap		144.3		—
Equity Pens. Fd		238.5	-0.6	—
Equity Pens. Fd. Cap.		212.4	-0.5	—

Providence Capital Life Assc. Co. Ltd.

OFFSHORE AND OVERSEAS

NOTES

INTERNATIONAL CAPITAL MARKETS

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which is published monthly. The following are closing prices for May 23.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex O/S Fin 10¼ 90	100	97⅝	98⅛	−0⅜	0	10.88
Amro Bank 13 89	200	107¼	107¾	−0½	−0¾	11.26
Bank of America 0 85 XW	100	89⅛	89¾	−0½	−0½	10.90
Bank of Tokyo Hold 11 90	100	99	99½	−0½	−0¾	11.10
British Col Hyd 10¼ 88	200	99¼	99¾	−0⅛	−0¼	10.37
Canadair Ltd 12½ 89	175	106½	107	−0⅜	−0¾	10.95
Canadian Wheat 11¼ 90	50	101⅞	102⅜	0	−0⅛	10.70
CIBC 11 90	75	98	98½	−0⅜	−0¼	11.37
Citicorp O/S 10⅜ 90	190	97¼	97¾	—	-	10.90
Coca Cola Int 9⅞ 92	100	25	28½	0	−0⅛	10.52
Coca Cola Int 11¾ 89	100	104⅞	105⅜	−0¼	−0⅛	10.57
Cred Suisse BAH 10½ 90	150	99⅞	100⅜	−0¼	−0¼	10.46
Credit Suisse 10½ 89	100	102¾	103¼	−0½	−0⅜	5.83
Den Norsk Cred 11¼ 93	50	97¼	97¾	−0⅜	−0½	11.69
Du Pont 11¼ 85	150	103	103½	−0⅛	−0⅜	10.73
E.D.C. 10¾ 88	100	100	100½	−0½	−1	10.64
E.D.C. 11¾ 87	100	102⅞	103⅜	−0⅜	−0⅝	10.79
E.D.F. 11⅛ 93	100	97¼	97¾	−0¼	−0⅜	11.55
E.E.C. 10¾ 95	75	95⅞	96⅜	−0⅜	−0⅞	11.35
E.E.C. 11½ 95	200	100	100½	−0⅝	−0¾	11.44
E.I.B. 11 01	125	99⅝	100⅛	−0¼	−0⅝	11.01
Forsmarks 13¾ 92	70	107¾	109¼	−0⅜	−0¼	12.23
Fuji Int Fin 10⅞ 90	100	97⅝	98⅛	−0¾	−0⅜	11.33
Gaz de France 12⅛ 93	175	101⅝	102½	0	−0⅛	11.91
Gen Elec Credit 9¾ 91	100	[illegible]	[illegible]	−0½	−0½	10.54
Gen Elec Credit 12 88	100	105¼	105¾	−0⅜	−0⅜	10.52
GMAC O/S Fin 10½ 90	200	100⅜	100⅞	0	−0⅜	10.34
Gulf Oil Fin 12⅛ 07	100	103⅞	104⅜	−0¼	−0½	10.96
Honeywell Int 10¾ 85	100	99⅞	100⅜	−0¼	+0¼	10.71
IBM World Trade 12⅛ 02	200	109⅝	110⅛	0	−0⅛	10.52
Indust Bk Japan 10⅞ 90	100	98¾	99¼	−0½	−0⅜	11.14
Japan Air Lines 10⅞ 93	42	98	02½	−0¾	−1⅜	11.40
Merrill Lynch 10⅝ 98	200	99	99½	−0¼	−0½	10.70
Midland Int Fin 11½ 92	150	101¼	101¾	−0⅜	−0⅜	11.21
Mitsubishi Corp 10½ 90	100	96⅞	97⅜	−1	−1⅛	11.11
Nat West Fin 11¾ 02	150	103⅛	103⅝	−0½	−0¼	11.13
Nippon Credit 11 90	100	97¼	97¾	−0⅜	−1½	11.54
Nippon Credit 11¼ 93	100	99	99½	−0⅜	−0⅞	11.54
O.K.B. 10 01	100	95¼	95¾	−0⅜	−0⅝	10.87
Ontario Hydro 11¼ 89	200	103¼	103¾	−0½	−0⅝	10.46
Ontario Hydro 12¾ 02	200	108⅞	109⅜	−0½	−0⅜	11.11
Prudential O/S 10⅝ 92	100	99⅝	100⅛	−0½	−0⅝	10.64
Prudential O/S 12¾ 07	150	107⅝	108⅛	−0⅜	−0½	10.30
Quebec Hydro 11½ 92 0	100	101⅞	102⅜	−0¼	−0⅞	11.10
R. J. Reynolds 12¾ 88	100	106¼	106¾	−0⅜	−0⅞	11.23
Saskatchewan Pr 10¾ 98	125	99½	100	−0⅜	−0¾	10.79
S.N.C.F. 11½ 93	100	99	99½	−0½	−0¾	11.62
Sth Cal Edison 10½ 90	75	98⅜	98⅞	−0⅝	−0⅝	10.60
Swiss Bk Corp 10¼ 90	125	101⅞	102⅜	−0½	0	9.70
Texaco Capital 9¾ 93	150	99⅞	99⅜	−0⅜	−0½	10.58
U.B.S. 10 93	193	100¾	101¼	−0⅜	−0½	9.73
U.B.S. 11 05	150	103⅛	103⅝	−0¼	−0½	10.23
Walt Disney Pro 12½ 89	75	105⅞	106⅜	−0⅛	−0½	10.80
Westpac Int Fin 11 90	100†	97¼	97¾	−0½	−0⅝	1.30
World Bank 10⅝ 88	150	99	99½	−0⅜	−0⅞	10.56
World Bank 10⅞ 03	100	99	99½	−0⅝	−1½	10.99
World Bank 11⅛ 96	100	99⅜	99⅞	−0⅝	−1½	11.10

Av. price changes: on day −⅜, on week −⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 0⅞ 93	200*	98⅞	99⅞	−0⅛	−0¼	8.92
Bank of Tokyo 7¼ 90	100*	99¾	100½	+0⅛	−0⅛	7.22
Bayer Capital 7⅝ 89	150*	103⅞	104½	−0¼	−1	8.88
Caisse Nat Energie 8 93	100*	99½	100	−0¼	−0¼	8.93
Caisse Nat Tele 7¾ 93	200*	98	98½	0	0	0.81
E.C.S.C. 7½ 93	150*	98½	99	−0¼	−0⅜	7.88
E.E.C. 7¾ 95	200*	99¾	100¼	−0½	−0¼	7.74
E.E.C. 8 94	200*	100⅝	101½	−0¼	−0⅝	7.89
Exxon 8½ 98	150*	101¼	101¾	0	−0¼	8.20
Eurofima 7½ 91	100*	101⅜	102⅛	0	0	7.19
Ferrovie Dello 8¾ 85	150*	101¾	102½	−0⅛	−0¼	8.21
H.J. Heinz Int 6¾ 88	00*	106½	101¼	−0⅛	−0¼	6.52
Int-Am Dev Bk 7¾ 93	200*	97⅝	98⅛	−0⅛	−0¼	8.07
Int-Am Dev Bk 6¼ 93	150*	100¾	101¼	−0¼	−0⅜	8.08
Ireland 0½ 90	150*	101⅜	101⅞	0	−0¼	0.17
Ireland 8⅞ 01	150*	101¾	102½	−0⅛	−0⅜	8.47
ITT Antilles 7 93	200*	98	98½	0	0	7.25
McDonalds Fin 7⅛ 92	100*	100⅞	101⅝	−0⅛	−0⅜	6.93
Mitsui O.S.K. 7¼ 88	100*	100¼	100¾	−0½	−0¼	7.11
Mount Isa Fin 7⅞ 90	100*	02¼	98¾	6	6	7.91
Quebec Hydro 8 93	200*	102	102⅛	−0¼	−0⅝	7.66
Sweden Kingdom 6¾ 93	150*	102⅝	103¼	−0⅛	−0⅛	7.69
Volkswagen Int 7¼ 93	200*	97⅝	98½	−0⅛	−0⅛	7.56
World Bank 7¼ 93	200*	97⅝	98⅝	0	0	7.54
World Bank 7½ 93	300*	08⅝	99⅛	−0⅛	−0¼	7.66

Av. price changes: on day −⅛, on week −⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Air Canada 0½ 95	100*	100⅛	100½	+0¼	+0¼	5.27
AKZO 5⅝ 93	100*	99	99¼	+0½	0	5.74
American Express 4¾ 93	100*	94¾	02	−0¼	0	5.44
Asian D.B. 5⅞ 08	100*	99½	99¾	+0½	+0⅝	5.92
BTR Finance 5⅝ 93	70*	99	00⅛	0	+0⅛	5.88
Carls-Tuborg Brw 5¾ 93	80*	102½	102¾	+0¼	+0⅛	0.40
Chujitsuya Co 5⅛ 93	50*	97½	97¾	−0¼	0	0.28
E.I.B. 5¾ 93	100*	99½	99¾	0	−0⅛	5.80
Ex-Im Bk Japan 0 93	100*	96	96½	−0⅝	−0⅜	6.51
Fuji Electric Co 9 93	100*	102	102¼	0	0	5.71
Gothenburg Airport 0 93	50*	100	100¼	0	+0⅜	5.98
HCA Finance 0 93	100*	97¾	02	0	+0⅛	5.28
Japan Dev Bank 0½ 93	100*	98¾	99	0	−0¼	0.65
Manitoba Prov 0¼ 93	100*	101½	101¾	+0¼	−0¼	0.83
Nippon Express Co 9 93	50*	101½	101¾	−0½	0	5.77
Norsk Hydro 0½ 98	100*	98¼	98½	+0¼	+0¼	5.86
Quebec Hydro 0½ 93	100*	100½	100¾	+0¼	+0⅜	5.42
Sekisui House 8 93	100*	100¾	101	+0¼	+0¼	0.80
Shikoku Elec Pwr 5⅝ 93	190*	97¾	98	0	−0¼	8.91
Sumitomo Metal Ind 0 91	100†	96½	100	-	-	0.84
Tohoku Elec Power 9 93	100*	100¼	100½	0	0	0.85
Transcanada Pipe 5¾ 93	100*	98½	98¾	0	−0¼	0.94
Trizec Corp 6¼ 91	100*	102	102¼	0	+0⅜	5.90
Union Bk Norway 5⅝ 93	60*	98	98¼	+0⅛	0	5.63
Volvo 5⅞ 91	60*	99¾	100	−0¼	−0¼	0.30
World Bank 5⅝ 93	100†	99½	100	—	—	5.66

Av. price changes: on day +⅛, on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 8⅝ 92	15	105⅛	105⅝	−0⅛	0	7.77
E.I.B. 0⅛ 92	10	102⅝	103⅛	−0¼	−0⅛	7.77
Japan Airlines 7⅞ 97	9†	101½	102	−0½	−0⅛	7.31
New Zealand 7⅝ 89	10	101⅛	102	0	0	7.28
World Bank 8⅛ 92	20	103⅝	104⅜	+0⅛	0	7.72

Av. price changes: on day −⅛, on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Cepme 12½ 98 CS	50†	99¾	100¼	+0⅛	+0½	12.47
Farm Credit 12¼ 93 CS	50†	102¾	103¼	0	−0⅛	11.90
Interprov Pipe 12¼ 93 CS	50†	99⅛	99⅝	−0¼	0	12.33
Mont Trans 12½ 90CS	20†	98⅝	99⅝	0	+0¾	12.65
Pancanadian 12½ 93 CS	50†	99⅝	100¼	0	−0⅛	12.40
Quebec Hydro 14 92 CS	90†	107½	108½	0	0	12.48
Swed Exp CR 12¼ 85 CS	50†	103¼	104¼	0	−0¼	11.19
E.I.B. 11¾ 91 ECU	60*	100⅝	101⅜	0	0	11.53
Quebec Prov 11½ 89 ECU	50*	99⅞	99⅝	+0⅛	+0⅜	11.66
Austria 7½ 88 Fl	100*	98¼	98¾	−0¼	−0⅜	7.88
Counsel Foods 7¼ 98 Fl	100*	97⅝	98⅛	0	−0¼	7.79
Nederland Gas 7½ 90 Fl	100*	99½	100	−0⅛	−0¼	7.55
Philips Lamps 7¼ 88 Fl	100*	99½	100	2	−0¼	7.30
Quebec Prov 7½ 93 Fl	100*	98¾	99¼	+0¼	−0⅛	7.75
World Bank 7 88 Fl	150*	97⅛	97⅝	0	−0⅜	7.67
O.K.B. 14 86 FF	400*	99¼	100¼	0	0	14.03
Solvay & Cie 14¾ 90 FF	200*	100⅝	101⅝	0	0	14.28
B.F.C.E. 11½ 93 £	50	97⅝	98⅜	−0⅛	0	12.05
B.F.C.E. 14½ 97 £	30	107½	108½	−0⅛	−0⅛	11.89
British Oxyg 11¾ 01	50	98¼	99	−0⅛	−0¼	12.02
C.B.T. 12½ 89 £	20	101¼	102¼	−0¼	−0⅛	12.05
E.E.C. 11⅞ 91 £	50	100½	101¼	0	+0½	11.67
Fin For Ind 12¼ 88 £	30	103⅝	104⅝	0	0	11.10
Fin Mat Oranj 12⅝ 92 £	30	103⅞	104½	0	+0½	11.94
Gen Elec Co 12½ 89 £	80	104⅞	105⅞	+0⅛	−0¼	11.10
Mort Bk Fin 11¾ 90 £	10	96¾	97½	−0¼	−0⅛	12.38
Norsk Hydro 12 98 £	30	101¼	102¼	0	−0⅛	11.58
Norsk Hydro 14½ 91 £	30	107⅞	103⅞	−0½	−0⅛	11.79
Quebec 14½ 89 £	30	108⅝	109⅝	−0⅜	−0⅝	12.34
S.D.S. France 10½ 92 £	30	106⅞	107⅞	−0½	−0⅜	13.97
S.N.C.F. 11½ 89 £	30	97¾	99	0	−0¼	12.81
Tenneco Int 14¾ 97 £	30†	109	110	+0¼	+0⅛	71.72
World Bank 11⅞ 91 £	75	98⅝	99⅝	−0⅛	0	11.57
Euratom 11 93 LuxFr	500*	104	105	0	+0⅛	10.23
Europarat 10⅜ 93 LuxFr	600*	102¼	104¼	0	+0⅛	10.13

FLOATING RATE NOTES	Spread	Bid	Offer	C.date	C.cpn	C.yld
Bank of Tokyo 8¼ 91 (D)	0¼	99¾	100¼	10/8	9¾	8.79
B.F.C.E. 8⅛ 07	0¼	98⅛	99⅝	27/7	8.94	10.08
B.F.C.E. 8¼ 90	0¼	98¾	98	28/7	9¼	9.36
Caisse Nat Tels 8¼ 90	0¼	99⅞	99⅝	21/10	9.90	9.65
C.C.F. 8¼ 95	0¼	99	99¼	7/10	10.10	10.28
C.C.F. 8¼ 98	0¼	99⅝	99⅝	24/8	8.94	9.98
Cepme 8⅛ 89 WW	0¼	99⅛	99⅝	3/9	5¼	5.28
Cepme 5¼ 92	0¼	99¼	99¾	19/8	8.94	8.99
Chemical NY 8¼ 94 ††	0¼	100	100¼	23/6	0⅞	8.88
C.N.T. 8⅛ 91	0⅛	98⅝	98⅝	8/11	0¼	8.39
Credit Agricole 8¼ 97	0½	98⅝	98⅞	24/8	10	10.13
Credit du Nord 8¼ 92 †	0¼	98⅝	99½	23/6	10⅛	10.24
Credit Lyonnais 0⅛ 94	0⅛	99⅞	99⅛	8/7	9¾	9.85
Credit Lyonnais 8¼ 97	0¼	98¾	00	1/10	10.05	10.10
Credit Nat 5¼ 94	0¼	98½	99	8/9	9¼	8.37
E.D.F. 5¾ 95 XW	0¼	99	99¼	18/8	10	10.09
Kansallis Osake 8½ 92	0¼	99¾	100	8/11	9½	8.14
Long Term Cred 8¼ 93	0⅛	99⅞	100⅛	27/5	10⅛	15.13
J.P. Morgan 8¼ 97 8	0¼	100	100¼	12/8	8	8.00
New Zealand 8¼ 87	0⅛	100¼	100⅝	7/10	10.00	10.04
NZ Steel Dev 0⅛ 92	0⅛	99⅝	100¼	22/6	10.10	10.10
Nippon Credit 0¼ 90	0⅛	99⅝	100⅛	10/8	9⅝	8.89
Scotland Int 8¼ 92	0⅛	99⅞	100⅛	23/9	9.94	9.94
Sec Pacific 5¼ 91 †	0⅛	700⅛	100⅝	24/5	10.05	10.04
Société Générale 8¼ 98	0¼	98⅞	99⅛	1/8	9½	9.68
Sweden 8¼ 89	0¼	99⅝	99⅝	28/8	9¾	9.67
Sweden 8¼ 92	0¼	98½	98⅝	3/8	10.10	10.23

Av. price changes: on day −⅛, on week −⅜

CONVERTIBLE BONDS	Conv. date	Conv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 8¼ 98	7/81	848.2	99⅛	100⅝	−0⅜	8.66
Bridgestone Tire 5½ 93	3/82	478	707½	106	−2⅝	1.44
Canon 7 97	7/82	748.2	180⅛	188⅛	−5⅝	−3.20
Fujitsu Fanuc 4½ 98	10/81	4491	710⅝	118⅝	−2¾	7.01
Hitachi Cable 8¼ 98	2/82	510	94	95½	−0½	3.05
Honda Motor 0½ 97	3/82	798.6	107¾	109⅛	−3¼	−1.74
Kawasaki 5¾ 98	8/81	229	79¼	98⅝	−1¼	19.06
Kumagai Gumi 8½ 97	10/82	400	109½	111	−1	1.70
Kyowa Hakko 6¼ 97	2/83	702	100¾	102¼	−0¾	8.19
Minebea Co Ltd. 8½ 98	5/83	967	98	99¼	—	−2.95
Minolta Camera 0 98	10/81	820.4	78⅞	80⅝	−1⅛	34.13
Mitsubishi Electric 0¼ 98	6/83	396	95¾	96⅝	−0⅝	3.44
Murata 8¼ 96	7/81	1714	114½	116	−2	4.84
Nippon Electric 8¼ 97	2/82	705.9	129⅝	131⅛	−3⅛	2.45
Nippon Oil Co 8½ 98	4/83	964	98	100	−1⅛	8.44
Nissan Motor 5¾ 98	4/83	778	94⅝	95⅞	−1¼	−8.02
Olympus Optical 6¾ 97	12/82	1331	94	80½	−1	7.28
Orient Finance 8¼ 97	3/82	927.2	704⅝	106⅛	+0⅛	1.88
Sumitomo Electric 8½ 07	3/82	577.3	97⅝	99⅛	−1⅛	−8.08
Sumitomo Metal 8¼ 98	10/81	296.1	74½	76	−1⅛	47.10
NEC Corp 3½ 93 SF	6/83*	970	708¾	710¼	+0¾	3.12
Sanyo Electric 3½ 93 SF	5/83*	581	102¼	704¼	+0½	10.32
Konishiroku 6¾ 85 DM	6/82†	818	714	115½	−1¼	8.31
Mitsubishi Heavy 0 98 DM	2/82†	263	124	125½	+17¼	48.72
Sum Realty 6¾ 92 DM	2/83*	365	115¾	116¾	−0⅜	8.39

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. = current coupon. Cu. yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Increase in M-1 hits Eurodollar market

BY MARY ANN SIEGHART IN LONDON

THE EURODOLLAR bond market was knocked sideways yesterday by news of a $7bn increase in the U.S. M-1 measure of money supply — bigger than had been expected. Fears of a rise in U.S. interest rates pushed prices down by over ½ point initially, but they picked up in the afternoon to close about ⅛ point down on the day.

Two factors mitigated the downward slide: yesterday was a public holiday on the Continent, which reduced selling pressure from Continental investors, and most of the recent dollar new issues have been comfortably absorbed already.

As one senior new issue manager explains, "The thing that really drives our market down is when there is a huge overhang of unsold paper on the syndicate side. Luckily that isn't happening now."

The Queensland Electricity Board is raising Y5bn through a ten-year private placement with a coupon of 8.6 per cent. Nikko Securities, the lead manager, will price the issue on May 31.

Terms for the Mortgage Bank of Denmark's Y15bn, ten-year Samurai bond, due to be launched today, were still under discussion yesterday.

LONDON RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price p	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
¶66	F.P.	20/5	105	80	‡Bensons Crisps 10p	81	+1	g1.9	3.1	0.4	18.7
¶315	F.P.	17/6	515	500	Boase Massimi Pollitt	508	......	b4.5	2.0	0.1	76.1
§110	F.P.	0/6	160	116	‡Bryant (Derek) 10p	122	......	ub.26	2.0	6.2	11.2
§80	F.P.	—	79	70	‡Castle (G.B.)	78	+3	b2.5	1.9	4.6	16.0
115	F.P.	—	108	100	‡Chom.Meth.Ass Inc	100	−3	bQ5.3c	2.5	3.7	10.4
¶225	F.P.	6/6	255	220	Datastream 5p	225	......	b2.86	3.5	1.4	28.5
‖‖	F.P.	—	80	65	Don Bros., Buist	72	−3	b3.5	2.6	6.0	6.1
**	F.P.	—	21	12	E'burgh Inv. Warrants	20	......				
§14½	F.P.	51/6	15	14	Edmond Nldgs. 10p	14	......	b1.0	1.1	10.2	12.7
§587	F.P.	—	626	595	Int'l Income Property	615	......	Q80c	—	8.7	—
‖‖	F.P.	—	60	34	‡Intervision Video 10p	47	+4	1.0	2.1	3.0	18.6
§80	F.P.	20/5	105	110	‡Lorlin Elect. 10p	117	......	b1.0	5.0	1.2	18.0
§32	F.P.	10/6	45¼	38½	MCD	41½	+1½	u1.0	2.2	0.4	15.9
§70	F.P.	15/6	82	70	‡Mellerware 10p	78	−1	u2.62	2.0	4.6	13.4
240	F.P.	—	280	250	‡Micro Focus 10p	288	......	—	—	—	44.3
§94	F.P.	20/5	155	140	‡Microlease 10p	150	......	ud2.0	2.5	1.9	24.0
§60	F.P.	27/0	143	113	‡Miss World Grp. 10p	113	......	b3.0	2.5	3.4	15.3
¶¶65	F.P.	16/5	83	60	‡Mnemos 10p	60	......	—	—	—	—
¶350	F.P.	27/5	568	548	Octopus Publish. 20p	560	+2	t8.0	2.3	3.2	11.0
§£48	F.P.	—	£57	£57	Perstorp AB Free 'B'	£57	......	9.84	0.2	0.8	25.2
‖‖	F.P.	—	67	27	‡Rivlin (J. D. & S.) 5p	35	......	Q F0.1	—	0.4	—
§134	F.P.	27/5	150	130	‡Securiguard 5p	150	......	b1.75	2.0	1.2	28.1
§105	F.P.	10/5	150	120	‡Spring Ram 10p	130	+8	u3.0	2.1	3.2	15.2
§47	F.P.	6/6	60	63	‡Strikes Rests. 10p	64	......	g1.55	5.5	6.0	13.4
**	F.P.	—	28	25	Throgmort'n Tst. Wrnt	28	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price £	+ or −
¶¶100p	F.P.	18/62	120p	100p	‡Booth 10% Con. Uns. Ln. 1990	103p	−2
—	£20	28/10	20½	12¼	Bristol 11½% Red. 2018	19½	−¼
—	£25	26/8	25	26¾	Brixton Est. 11¾% Deb	25¾	......
¶101	£10pd.	—	10¼	9¾	East Anglia Water 7% Red. Pref. 1988	10	......
‖100p	F.P.	12/5	117p	110p	East'n Prod. 10½% Con. Ln. 1997-2002	110p	......
¶101	£10	28/7	12	11	Folkestone Water 7% Pref. 1988	11	......
—	—	—	100½	99½	Nationwide B. S. 10⅞% Bds. 30/4/84	99½	......
—	—	—	100⅛	100⅛	Do 10⅞% Bds 29/5/84	100⅛	......
§100	£25	7/7	23	21½	N'castle&G'headWater11½%RdDb2004	21½	......
**	F.P.	24/6	102	99¾	NewThrogm't'n Tst. (83) 12.6% 2008	100¾	......
20.89	£30	15/9	30½	20½	New Zealand 11¼% 2008	29½	−⅛
¶101	£10pd.	—	10	2¾	North Surrey Wtr. 7% Red. Pref. 1988	10	......
**	—	—	05	05	Rightwise 12% Ln '83-85	95	......
99.758	F.P.	17/8	101½	99	Securities Tst of Scot. 12% 2005	92	......
¶¶	F.P.	—	101½	100⅛	Throgmorton Tst. 12⅛% Deb. 2010	101⅛	......
‖	F.P.	12/5	112p	25½p	Tomatin Dist. 7% Cnv. Pref.	100p	......
§92.579	£25	31/8	24	22⅛	Trafford Park Est. 11¼% 2007/11	22½	......
§90.896	£25pd	—	28	26	Watn'yM'nn&Trum'n12½%Red.Deb.2008	25½	+¼
100p	F.P.	15/5	112p	104p	Wellman Eng. 10% Irr. Pref.	104p	......

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date		1983 High	1983 Low	Stock	Closing price p	+ or −
35	F.P.	20/5	17/6	42	37	Anvil Pet. 20p	40	+3
£1.R.0.80	Nil pd	—	—	7½pm	2pm	‡‡Atlantic Res.	2pm	......
A$1.50	20cents	—	—	81pm	81pm	Bridge Oil	81pm	......
A$3.60	Nil	—	—	83pm	76pm	CRA	77pm	−3
42	F.P.	[illegible]	[illegible]	[illegible]	54	Combined Tech. 10p	[illegible]	[illegible]
85	[illegible]	[illegible]	[illegible]	[illegible]	121	Dubilier 5p	[illegible]	[illegible]
126	F.P.	[illegible]	17/6	150	144	Eis	[illegible]	[illegible]
14	[illegible]	[illegible]	[illegible]	[illegible]	15½	Edmond Nlds. 10p	[illegible]	[illegible]
155	F.P.	10/5	10/6	212	121	Electro Protective 10p	[illegible]	[illegible]
145	F.P.	25/5	1/6	166	153	GKN £1	[illegible]	[illegible]
146	Nil	[illegible]	[illegible]	11pm	5pm	Hawley Grp	[illegible]	[illegible]
100	Nil	[illegible]	17/6	60pm	54pm	Mellins 5p	[illegible]	[illegible]
290	F.P.	[illegible]	[illegible]	365	345	Mills & Allen	[illegible]	[illegible]
45	Nil	[illegible]	[illegible]	2½pm	2pm	Myson Group 10p	[illegible]	[illegible]
1.25	Nil	16/6	24/6	21pm	14pm	Norton (W.E.) 1p	[illegible]	[illegible]
150	Nil	[illegible]	17/6	12pm	10pm	Rightwise 10p	[illegible]	[illegible]
—	[illegible]	[illegible]	[illegible]	[illegible]	15½	Sheffield Brick	[illegible]	[illegible]
178	F.P.	[illegible]	21/6	202	184	Spirax-Sarco	[illegible]	[illegible]
690	F.P.	[illegible]	10/6	455	430	Standard Chartered Bank £1	[illegible]	[illegible]
140	F.P.	[illegible]	[illegible]	280	245	Warehouse Gp	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. ◆ Figures or report awaited. ¶ Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. † Effective issue price after scrip. † Formerly dealt in under special rule.

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SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Tuesday May 24 1983

U.S. money supply rise depresses copper, Page 37

WALL STREET

Rally after subdued opening

THE U.S. financial markets looked somewhat stunned yesterday following the unexpectedly sharp rise in M-1 money supply reported late on Friday, *writes Terry Byland in New York.*

The bond market, which had already fallen sharply after the news, could make no immediate recovery. Equities, making their first response to the M-1 announcement, opened with widespread falls but recovered later in subdued trading.

But a small rally in the bond market inspired a strong recovery in share prices. The Dow Jones Industrial average, which fell by 12 points in early trading, swung higher at midsession and closed 10.54 higher at 1200.56. Turnover was moderate, however, with 84m shares traded.

The market's nearest point of reference now is the meeting today of the Federal Reserve Board's Open Market Committee which will review the progress of monetary policy.

While predictions in the market of future Fed policies cover a wide range, few now look for a cut in the discount rate in the near term.

Shares remained nervous but prices ended near the best levels of the day.

Those to close with gains included IBM \$1½ up at \$112¼, GM \$1⅝ up at \$66⅞, Burlington Northern \$1¾ higher at \$85¼ and Honeywell \$1⅞ up at \$119.

Shares in Natomas suspended at \$19⅝ on the bid from Diamond Shamrock, reopened at \$22¾. Shares in Diamond eased by \$½ to \$24½.

Other active issues included American Express, \$1¼ up at \$67⅞ on the increased dividend and stock split.

Chrysler jumped \$⅞ to \$26⅝ in brisk trading after one of the major agencies raised its rating of the company's debt. Ford also found buyers and added \$⅝ to \$49¼.

The institutional investors, who were trimming their portfolios last week, lay low yesterday, waiting to see how far the market would fall if selling continued. The recovery at midsession was taken cautiously, with dealers keeping a weather eye on the bond market.

In the credit markets, prices were inclined lower at first but in the absence of singnificant selling, the market steadied. The trend towards higher interest rates was reflected in an increase in broker loan rates at U.S. Trust from 9¼ per cent to 9½ per cent – a move which discourages holding of shares and bonds by the brokerage houses – and also by an increase from 10 per cent to 10½ per cent in prime rate by Wachovia, a Southern-based bank.

Treasury bill yields rose by 11 or 12 basis points putting three-month bills at a discounted rate of 8.41 per cent and the six-month bills at 8.44 per cent.

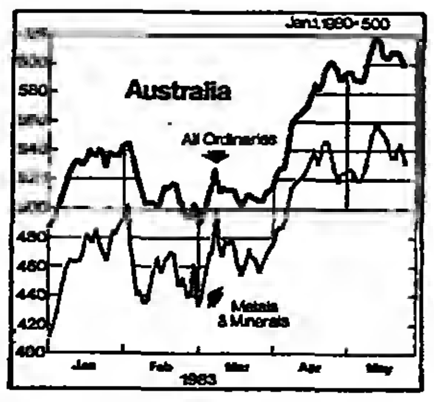
The longer end of the bond market at first extended the sharp losses of Friday evening but yields of close to 11 per cent brought some buying from the professional market.

The benchmark long bond, the 10⅜ per cent of 2012, opened at 98¹³⁄₃₂ against Friday's level of 96½, but rallied to 97.

The Federal funds rate, the crucial indicator of bank short-term funding costs, remained obstinately high, edging up from 8½ per cent at the opening to 8¾ per cent. Firmness in the Fed funds rate has been a significant signal to the market that the Fed is no longer acting to bring rates down.

At midsession, the Fed announced a further customer repurchase arrangement, this time of \$1bn. But the market regards such moves as purely temporary aid and not as an indication of policy.

Canadian markets were closed for Victoria Day.



AUSTRALIA

Resources go into reverse

RESOURCE stocks reflected acute Sydney concerns yesterday over the course of interest rates nationally and worldwide, contributing the major downward thrust to the All Ordinaries index which ended below the 600 mark, 8.3 weaker at 599.7.

Indications of a tighter local money market, as a result of the biggest ever federal government bond tender of A\$1.5bn later this week, added to the depressed sentiment.

Western Mining shed 18 cents to A\$4.60, BHP 10 cents to A\$8.16 and CRA the same amount to A\$5.06, but North Broken Hill steadied at A\$2.80.

Golds showed losses of 24 cents for Poseidon at A\$5.02, 20 cents for Acorn at A\$1.90 and 10 cents apiece for Central Norseman at A\$8.40 and the recently favoured Carr Boyd exploratory concern at A\$1.50.

Energy issues were also affected, with Santos 22 cents lower at A\$5.78, Crusader a sharp 50 cents off at A\$8 and Hartogen 10 cents poorer at A\$1.65.

Retailers were reasonably well supported in an otherwise weaker industrial sector. Myer held at A\$1.45 and Woolworth at A\$2.02, while Coles firmed seven cents to A\$2.82. Banks eased despite a profits advance for ANZ, which finished steady at A\$4.20.

EUROPE

Milan muted

CAUTION ahead of next month's Italian general election dominated trading in Milan, where institutional buying gave prices an early fillip but gains were eroded by profit-taking towards the close and a lower result prevailed.

Fiat, in demand last week, firmed a further L21 to L2,850 but retreated after hours on rumours that the car maker's 1982 results, to be announced today, *would not prove as healthy as expected.*

The insurance sector did well, with rises of L1,975 for Generali at L131,475 and L200 for Toro at L12,200.

A mixed industrial picture had Italcementi L1,000 ahead at L43,700 but Olivetti L40 weaker at L2,750 and Pirelli off L50 at L2,880.

Carlo Erba, which encountered a speculative rush last week after an agreement with Hercules of the U.S., shed a further L31 to L8,870.

Markets in West Germany, France, Belgium, Austria, Denmark, the Netherlands, Norway, Sweden and Switzerland were closed for a public holiday, while Spain as usual did not trade on a Monday.

SOUTH AFRICA

Worries show

A LOWER gold bullion price compounded Johannesburg political worries after the punitive raid into Mozambique, leading to a R8 fall for Randfontein among the heavyweight producers at R180.

Platinums displayed setbacks of 55 cents each for Rustenberg at R9.85 and Impala at R13.75. De Beers shed 32 cents to R9.63 but Anglo-American maintained its R28.10 level.

Financials showed Nedbank 40 cents worse at R13.35 while in industrials AE & CI at R9.90 and SA Breweries at R8.20 were each 30 cents weaker.

LONDON

Markdowns reflect money fears

EXPECTATIONS that Wall Street would react badly to the latest disturbing rise in U.S. money growth, announced after the close of business on Friday, caused London stock exchange dealers to adopt a cautious attitude yesterday.

Leading shares were marked down across the board as the new trading account got under way, and it was again left either to bid hopefuls or to special situation stocks to furnish movements of any note.

Interest continued to be shown in recent stars P & O deferred and Dunlop, but business was only a shadow of last week's explosive activity.

Dunlop went ahead and closed 2p better at 79p, after 81p, despite a statement from the group denying knowledge of a bid approach or any new notifiable shareholding. P & O improved to 221p before settling slightly softer on balance at 215p.

The scent of dearer U.S. money prompted most institutional investors to await better buying opportunities. But small selective demand for GEC and a few other blue chips reversed the decline until Wall Street confirmed London caution by weakening sharply early yesterday.

The FT Industrial Ordinary share index regained much of an earlier 4.4 fall to stand only 1.6 lower at 2 pm, but went easier again to close a net 2.8 off at 892.4. More than half of the 30 constituents ended lower with Glaxo notably dull following a "sell" recommendation.

Government securities remained a backwater. Quotations were lowered initially but sterling's relative stability in the face of a stronger dollar imparted some encouragement. Losses of a quarter among high-coupon longs were eventually halved and many shorts moved similarly to close ¹⁄₁₆ above the lowest.

The bomb explosion in Pretoria and *South Africa's reprisals against Mozambique* upset gold shares. The worst affected among the heavyweights were Randfontein, £4¼ cheaper at £106¾; Southvaal, £3¾ off at £41½; and Hartebeest, which fell £3 to £55¾.

Falls of up to £2 were common throughout the remaining issues, while lower priced stocks were highlighted by Loraine, 31p down at 482p, and Simmer & Jack, which dipped 20p to 420p.

The weakness of golds spilled over into *financials* where De Beers was a notable casualty and finally 23p lower at 565p. Gold Fields of South Africa fell a point to £97¼ despite favourable press comment.

RTZ dropped 17p to 578p, refelcting the substantial weakness in base-metal prices, especially copper. Gold Fields gave up 8p to 567p and Charter 6p to 257p. Platinums retreated on profit-taking.

Widespread losses were the order of the day in Australians which were also unsettled by the poor performance of Wall Street.

In the leaders CRA lost 13p to 285p, MIM Holdings 9p to 251p and Western Mining 8p to 264p.

Golds were highlighted by Gold Mines of Kalgoorlie, 25p cheaper at 555p after 550p, and Poseidon, 13p down to 282p.

Share information service, Pages 38–39

FAR EAST

Sun breaks through in Tokyo

WEAKNESS in the yen as the dollar received strong upward momentum from last Friday's U.S. money supply and interest rate indications discouraged Tokyo stock investors, but this prompted them more to stay away from the market than to engage in any large-scale selloff.

The Nikkei-Dow Jones market average relinquished 32.81 to close at 8,528.64 and the stock exchange index 2.70 to 629.03 in extremely light volume of 190m shares.

Some scattered buying was evident in stocks of companies – such as breweries – which traditionally experience a summer sales boost. The Japanese weather service has predicted an unusually hot summer. Kirin Brewery rose Y6 to Y438 on a relatively active 4.61m shares and Asahi Brewery Y10 to Y320.

International populars led the downward drift. TDK shed Y90 to Y4,790, Sony Y30 to Y3,580, Canon the same amount to Y1,340 and Matsushita Electrical Y10 to Y1,450. Honda slipped Y7 to Y830 but Toyota managed a Y10 improvement to Y1,150.

Nippon Light Metal, the day's volume leader, firmed Y1 to Y326 on 6.03m shares but Nippon Steel, also actively dealt, eased Y2 to Y163.

Fujisawa Pharmaceutical rose a strong Y20 to finish at Y1,110 on higher annual profits, while Nippon Chemiphar recovered on bargain-hunting to Y805, up Y13, after on earlier retreat on news of a loss for the latest year. This had followed an 80-day suspension of business in the stock amid allegations of falsified test data for a new product.

Toshiba, which late in the day announced an earnings dip for the year to March, eased Y3 to Y342.

Thin dealings in government bonds left yields of short to medium-term issues more than 10 basis points above last week's closing levels. The U.S. money supply news was cited as the main depressant.

Persistent but fairly thin Hong Kong selling took the Hang Seng index 39.34 lower to 902.71, largely in reaction to a two-point interest rate increase by local banks in an attempt to shore up the erosion in the value of the Hong Kong dollar against its U.S. counterpart.

Of the leaders, Cheung Kong fell 55 cents to HK\$7.70, Hongkong Bank 15 cents to HK\$7.80 and Hongkong Land 32 cents to HK\$3.70, but turnover there too was on the thin side.

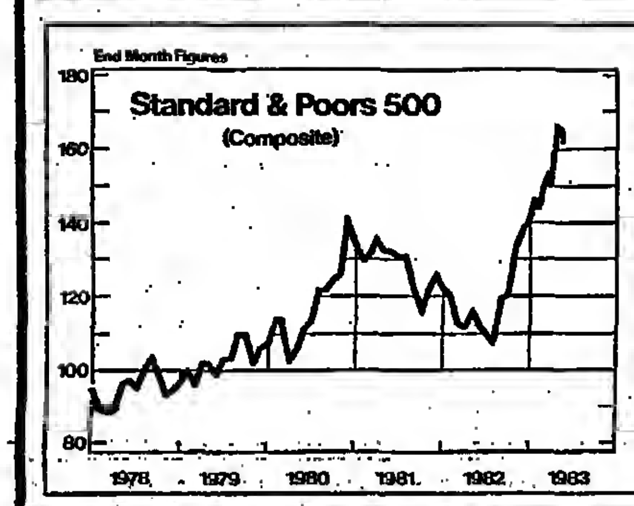
Wheelock Marden, which reported a sharp fall in 1982 net profits, showed a 13-cent slide for its A shares at HK\$3.07 while Wheelock Maritime, which slid into loss last year, held steady at HK\$2.15.

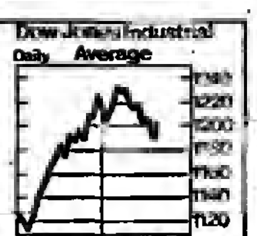
Selective Singapore profit-taking left the Straits Times Industrial index 20.87 off at 918.28 but allowed Cold Storage to firm eight cents to S\$4.98 and Malay Banking five cents to S\$8.30.

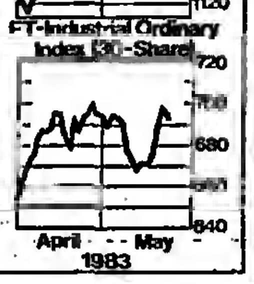
Fraser and Neave fell 25 cents to S\$8.55, however, Hume Industries 30 cents to S\$5.90 and Malayan Cement a similar extent to S\$6.90.

A trader said Bank Negara of Malaysia had warned brokers that it might ask banks to tighten credit to brokers in Kuala Lumpur, and these brokers had acted to sell clients' holdings. The bank was reportedly concerned about excessive speculative dealings.

KEY MARKET MONITORS







STOCK MARKET INDICES

	May 23	Previous	Year ago
NEW YORK			
DJ Industrials	1200.56	1190.02	835.9
DJ Transport	540.77	539.62	333.56
DJ Utilities	127.91	128.88	113.78
S&P Composite	163.43	162.13	114.89
LONDON			
FT Ind Ord	692.4	695.2	525.8
FT-A All-share	422.62	424.88	329.89
FT-A 500	458.99	461.11	360.09
FT-A Ind	422.84	424.92	325.65
FT Gold mines	636.5	665.5	235.2
FT Govt secs	80.54	80.57	68.79
TOKYO			
Nikkei-Dow	8528.64	8561.45	7497.05
Tokyo SE	629.03	631.73	557.26
AUSTRALIA			
All Ord.	599.7	608.0	506.0
Metals & Mins.	530.5	543.2	358.9
AUSTRIA			
Credit Aktien	closed	57.78	52.00
BELGIUM			
Belgian SE	closed	122.04	93.37
CANADA			
Toronto Composite	closed	2389.2	1511.3
Montreal Industrials	closed	411.17	277.65
Combined	closed	395.47	260.71
DENMARK			
Copenhagen SE	closed	140.08	91.52
FRANCE			
CAC Gen	closed	123.8	109.9
Ind. Tendance	closed	126.7	122.4
WEST GERMANY			
FAZ-Aktien	closed	311.79	228.42
Commerzbank	closed	932.2	697.4
HONG KONG			
Hang Seng	902.71	942.05	1359.51
ITALY			
Banca Comm.	191.7	192.68	178.77
NETHERLANDS			
ANP-CBS Gen	closed	123.4	93.0
ANP-CBS Ind	closed	101.5	73.3
NORWAY			
Oslo SE	closed	189.81	111.11
SINGAPORE			
Straits Times	918.26	939.13	766.85
SOUTH AFRICA			
Golds	888.8	945.8	424.3
Industrials	947.0	961.6	570.4
SPAIN			
Madrid SE	closed	115.6	121.27
SWEDEN			
J & P	closed	1456.23	595.95
SWITZERLAND			
Swiss Bank Corp.	closed	324.8	256.1
WORLD	May 19	Prev	Yr ago
Capital Int'l	n/a	175.8	135.6

GOLD (per ounce)

	May 23	Prev
London	\$433.50	\$439.50
Frankfurt	closed	n/a
Zürich	closed	n/a
Paris (fixing)	closed	n/a
New York (May)	\$438.40	\$438.00

* *Indicates latest pre-close figure*

CURRENCIES

	U.S. DOLLAR May 23	U.S. DOLLAR Previous	STERLING May 23	STERLING Previous
£	1.5560	1.5560	—	—
DM	2.4870	2.4765	3.87	3.8525
Yen	235.75	233.90	367	364
FFr	7.4725	7.43	11.6250	11.56
SwFr	2.0815	2.0740	3.24	3.2275
Guilder	2.7960	2.7820	4.3525	4.3275
Lira	1476.50	1470.25	2300	2288
BFr	49.63	49.41	77.15	76.87
C\$	1.23475	1.23125	1.9200	1.9170

INTEREST RATES

	May 23	Prev
Euro-currencies (three month offered rate)		
£	10½	10⁷⁄₁₆
SwFr	4⅞	4¹³⁄₁₆
DM	5⅜	5⁵⁄₁₆
FFr	13⅞	13⅞
FT London Interbank fixing (offered rate)		
3-month U.S.\$	9⁵⁄₁₆	9¼
6-month U.S.\$	9⁷⁄₁₆	9⅜
U.S. Fed Funds	8⅝	8⁹⁄₁₆
U.S. 3-month CDs	8.80	8.85
U.S. 3-month T-bills	8.38	8.18

U.S. Treasury Bonds

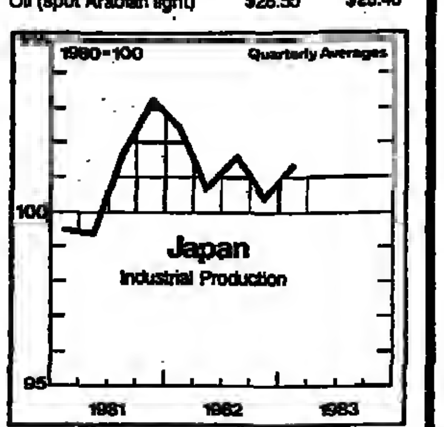
	May 23 Price	May 23 Yield	Prev Price	Prev Yield
9½ 1985	99²⁵⁄₃₂	9.67	99²⁷⁄₃₂	9.64
10⅜ 1990	101 ⅛₂	10.28	100	10.48
10⅛ 1993	97¹⁹⁄₃₂	10.57	97⁹⁄₃₂	10.60
10⅜ 2012	97	10.70	96²⁹⁄₃₂	10.75

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
June	76–08	76–11	75–20	76–10
U.S. Treasury Bills (IMM) \$1m points of 100%				
June	91.55	91.56	91.46	91.88
Cert Deposit (IMM) \$1m points of 100%				
June	91.11	91.12	90.96	91.18
LONDON				
Three-month Eurodollar \$1m points of 100%				
June	90.74	90.80	90.70	90.95
20-year Notional Gilt £50,000 32nds of 100%				
June	103–23	103–27	103–15	103–27

LONDON COMMODITY MARKETS

	May 23	Prev
Silver (spot fixing)	819.20p	853.85p
Copper (cash)	£1113.00	£1143.00
Coffee (May)	£1992.50	£1987.00
Oil (spot Arabian light)	\$28.55	\$28.40



NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

B—B—B

C—C—C

D—D—D

E—E—E

F—F—F

G—G—G

H—H—H

I—I—I

J—J—J

K—K—K

L—L—L

M—M—M

N—N—N

Continued on Page 35

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 36

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 34

W-W-W

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20⅞	15¼	WICOR	2	14	11	10 75	20⅜	20	20⅜	-⅛
44½	36⅜	WabR	pf4 50	11		210	41	41	41	+1
43⅜	23	Wachov	1 40	3 4	11	40	41⅞	40⅞	41¼	+¼
34½	12⅞	Wackht	.44b	1 2	21	44	31⅞	31⅛	31⅞	+½
12⅝	4¼	Wainoc				522	9½	8⅞	9½	+⅝
73¾	24	WlMrt	s 28	4	36	857	69⅞	68½	69⅞	+⅜
33⅞	13¼	Walgrn	s 60	1.9	16	347	31⅜	30¾	31¼	+¼
21⅞	12	WkHRs	g1 32			90	21½	21¼	21½	+¼
29	14½	WlCSv	s 36	1 4	16	8	25⅞	25⅜	25⅝	-⅛
47⅞	18¾	WalLm	1 20	2 6	13	229	45½	44	45½	+1¼
10	6⅛	WaltJ	pf 1	11.		z400	9⅛	9	9	
51¼	18½	WaltJ	pf1 60	3 3		3	48½	40	48	-½

Continued on Page 36

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, *rates of dividends are annual disbursements based on the latest declaration.*

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-when distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full

WORLD STOCK MARKETS

CANADA

Stock	May 23	May 19
AMCA Intl.	24¾	25
Abitibi	22⅝	22½
Agnico Eagle	20	19⅞
Alberta Energy	16⅞	17¼
Alcan Alumin	41⅛	40⅝
Algoma Steel	31	31
Asbestos	11½	11½
Bk Montreal	30½	31
Bk Nova Scotia	42	48⅝
Bell Canada	27½	27¼
Bombardier	14½	14½
Bow Valley	26⅜	23½
BP Canada Res.	24	24
Brascan A	31⅞	31¼
Brinco	6.75	6.85
B.C. Forest	12⅞	13
CIL Inc	29	29¼
CadillacFairview	9¼	9¼
Can Cement	—	—
Can NW Energy	27½	27½
Can Packers	42	41
Can Trustco	41	41
Can Imp Bank	35⅝	36½
Can Pacific	45¼	45⅜
Can. Pac. Ents	23¼	23½
Can Tire	58	58½
Carling O'Kie.	15⅝	16
Chieftain	21⅞	22
Cominco	55½	54½
Conn Bathst A.	22	22¾
Copper Lake	—	—
Coseka Res.	4.95	4.05
Costain	9	9
Daon Devel	2.45	2.57
Denison Mines	49	40½
Dofasco	47	47¼
Dome Mines	24⅞	24⅝
Dome Petroleum	6⅜	6½
Dom Stores	19	18
Domtar	27⅝	27⅝
Falconbrge Ltd.	70½	70½
Genstar	30⅛	30⅛
Giant Y'knife	26¼	26⅝
Gt. West Life	1.99	1.99
Gulf Canada	15⅞	16
Gulf Stream Res.	1.56	1.45
Hawk Sid. Con.	19	19
Hudson Bay Mng	20½	21
Hudson's Bay	23⅞	24¼
Husky Oil	11⅝	11⅝
Imasco	34	34⅛
Imp Oil A	34¼	34⅝
Inco	18	19
Indal	19¼	19¼
Inter. Pipe	27⅞	27⅞
Lac Minerals	27½	27½
Mac Bloedel	31⅛	32
Marks & Spencer	12⅝	12½
Massey Ferg	6¼	6⅝
McIntyre Mines	35¼	35¼
Mitel Corp	22¼	22⅝
Moore Corp.	61⅛	62⅝
Nat. Sea Prods A	11	11⅝
Noranda Mine	26⅛	26⅝
Nthn. Telecom	88⅝	88½
Nova Alberta	8⅛	8⅞
Oakwood Pet.	9⅛	8⅞
Pacific Copper	1.61	1.08
Pan. Can. Pet.	28¼	28
Patino	35	35
Placer Dev	24	24¼
Power Corp.	17½	19
Quebec Strgn.	8¼	8⅝
Ranger Oil	12	12
Reed Stenhs A	17	16⅛
Rio Algom	45¾	46¼
Royal Bank	32	32½
Royal Trusco A	27⅛	27⅛
Sceptre Res.	5½	5⅝
Seagram	67⅞	39
Shell Can Oil	22½	22⅞
Stelco	26⅞	26⅝
Teck B	12⅛	12⅛
Texaco Canada	35⅛	35⅞
Thomson News A	37⅛	36⅞
Toronto Dom Bk.	48⅝	49½
Transalta	22	22⅝
Trans Can Pipe	28⅝	28⅝
Walker H. Res.	26⅛	26¼
Westcoast Trans	14½	14⅝
Weston (Geo.)	65½	56¼

AUSTRIA

May 20	Price Sch%	+ or —
Creditanstalt	217	
Goesser	327	+7
Interunfall	375	
Landerbank	214	
Perlmooser	374	+1
Steyr Daimler	169	
Veitscher Mag	252	

BELGIUM/LUXEMBOURG

May 20	Price Frs.	+ or —
ARBED	1,694	+16
Banq Int A Lux.	3,850	
Bekaert B	2,650	
Ciment CBR	2,030	-20
Cockerill	106	
Delhaize	6,810	
EBES	2,240	-16
Electrobel	5,660	-240
Fabrique Nat	2,600	+95
G.B. Inno	2,795	+15
GBL (Brux)	1,940	+15
Gevaert	2,030	-30
Hoboken	4,756	+56
Intercom	1,865	+5
Kredietbank	5,700	
Pan Hldgs	8,000	
Petrofina	5,960	
Royale Belge	6,880	
Soc Gen. Banq	3,700	+10
Soc Gen Belge	1,676	-50
Sofina	4,580	+30
Solvay	2,700	-40
Traction Elect.	3,080	-15
UCB	3,650	+5
VieilleMont	2,210	-630

DENMARK

May 20	Price Kroner	+ or —
Aarhus Olie	695	+9.6
Andelsbanken	904	
Baltica Skand.	426	-6.4
CopHandelsbank	217	-8.8
D. Sukkerfab.	488	-5.4
Danske Bank	228	-7.4
East Asiatic	117	-6.4
Foronde Brygg.	853	
Foronde Damp.	252	+9
GNT Hldg.	397	
I.S.S.B.	466.4	+3.4
Jyske Bank	425	-15
Novo Ind	2,725	
Privatbanken	226	-12
Provinsbanken	185.4	-9
Smidth (F.L.)	257	-7
Sophus Berend	765	-5
Superfos	189.6	-6.6

FRANCE

May 20	Price Frs.	+ or —
Emprunt 4½% 1973	9,006	-20
Emprunt 7% 1973	8,925	-64
CNE 3%	3,237	-8
Air Liquide	464	-6
BIC	545	+9
Bouygues	796	-14
BSN Gervais	1,785	-24
CIT Alcatel	1,115	+1
Carrefour	1,323	+3
Club Medit.	810	-6
CFAO	460.1	-0.9
Cie Bancaire	620.6	-7.7
Cofimeg	163.4	-6.1
Creusot Loire	43.5	-2.4
Darty	605	-35
Dumez	739	+15
Eaux (Cie Gen.)	360.1	-1.9
Elf-Aquitaine	168	-4.4
Gen. Occidental	521	+8
Imetal	63.1	-1.3
Lafarge-Coppee	277	-3
L'Oreal	1,397	-48
Legrand	2,671	+18
Maisons Phenix	495.1	+6.1
Matra	1,355	-26
Michelin B	721	-9
Midi (Cie)	849	-3
Moet-Hennessy	1,174	-29
Moulinex	99	+4.8
Nord Est	54.1	+2.6
Pernod Ricard	636	-13
Perrier	299	-8.6
Petroles (Fra.)	192.8	-2.2
Peugeot-SA	181	-1.6
Poclain	84	-1.2
Printemps Au	114	+1
Radiotech	349.5	-1.5
Redoute	866	-11
Roussel-Uclaf	287.9	+1.4
Schneider	197.5	+1.6
Sefimeg	229.6	
Skis Rossignol	804	
Telemech Elect.	987	-61
Thompson (CSF)	180.6	+6.6

NETHERLANDS

May 20	Price Fls.	+ or —
ACF Holding	145	-7.5
Ahold	144.2	-6.6
AKZO	58.4	-1.2
ABN	658	-8
AMEV	119	-1.8
AMRO	56.2	-6.6
Bredero Cert.	163	-17
Boskalis West	44.8	-0.2
Buhrmann-Tet.	43.5	-0.7
Caland Hlds	29.9	+2.9
Elsevier NDU	296	+4
Ennia	127	-3
Euro Comm Tst	108	+2
Gist-Brocades	140.5	-0.9
Heineken	100.6	+0.1
Hoogovens	25.5	-0.5
HunterDouglas	16.8	+0.2
Int Muller	25.6	-0.4
KLM	141.8	-1.2
Naarden	31.9	-0.1
Nat Ned cert.	142	-1.2
Ned Cred Bank	96.6	-0.1
Ned Mid Bank	144	-4.5
Ned Lloyd	87	+0.8
Oce Grinten	176.5	-1.5
Ommeren (Van)	25.7	-0.2
Pakhoed	48	-1.5
Philips	45.7	+6.9
Rijn-Schelde	3.9	+0.1
Robeco	289.5	-2.8
Rodamco	129.5	-0.4
Rolinco	283	
Rorento	161.8	-0.6
Royal Dutch	114.3	-5.2
Stavenburgs	63.1	-1.8
Unilever	189	-9.5
Vmf Stork	69.6	-1.5
VNU	60.2	-1.8
West Utr Bank	119	-1

NORWAY

May 20	Price Kroner	+ or —
Borgens Bank	116.6	-6.5
Borregaard	176	-6
Christiana	193	+1
Creditbank	139	
Elkem	91.5	-1
Norsk Data	265	-9
Norsk Hydro	397.5	-3.6
Storebrand	176	+4

LONDON

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Arlen Elect.	280	+17
Dunlop	81	+4
Electro-Protective	210	+10
Exco	558xd	-7
Gold Mines Kalgoorlie	565	-25
ICI	484	-6
Jacksons Expl.	180	-120
Ladbroke	191	+4
Ocean Transport	127	+11
P&O Defd.	215	-1
Rustenburg Plat.	580	+25
Zeuthveal	£41½	-3½

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
P&O Defd.	42	219	+2
Lon. & Liv.	39	152	-19
Dunlop	31	77	+14
Arlen Elect.	24	273	-7
BAT Inds.	23	606	-19
Ocean Trans.	22	119	+7
Trident TV 'A'	22	79	-7
KCA Int.	21	44	-3
House of Fraser	20	222	+14
Saxon Oil	19	180	+2
Scot. & N'c'tle	19	91	+1
Bond Diff'sion	19	205	-4
Tate & Lyle	19	344	+16
Glaxo	17	870	-6

NEW HIGHS AND LOWS FOR 1983

NEW HIGHS (42)

INTERNATIONAL BANKS (1)
Mexico 16½pc 2008
FOREIGN BONDS (1)
Ireland 7½pc '81-83
AMERICANS (1)
GATX
BANKS (2)
Allied Irish — First Nat. Wts.
BUILDINGS (3)
AMEC — Laing (J.)
Allied Plant
ELECTRICALS (1)
A.B. Electronic
ENGINEERING (4)
Acrow — Spear & Jackson
Norton (W. E.) — Tomkins (F. H.)
INDUSTRIALS (7)
Borg-Warner — Lawtex
Duport — Photo-Me
I.C. Inds. — Royal Worcester
Johnston Group
MOTORS (3)
Dunlop — Young (H.)
Gates (F. G.)
NEWSPAPERS (2)
Black (A. & C.)
PAPER (1)
Transparent Paper
PROPERTY (2)
Aquis Secs. — Sarakreek
SHIPPING (2)
Mersey Dock Units — Ocean Transport
SOUTH AFRICANS (1)
Tiger Oats
TEXTILES (2)
Ingram (H.) — Toray
TRUSTS (6)
London Merchant — Greenfriar
Do. Defd. — Energy Fin.
Do. 7½pc Cnv. Units 2000-05 — Silvermines
OIL & GAS (2)
BP 8pc Pf. — Shell 7pc Pf.
OVERSEAS TRADERS (1)
Aust. Agric.
MINES (1)
Anglo Utd. Dvlpt.

NEW LOWS (33)

LOANS (1)
Nationwide 14pc 4/7/83
BANKS (1)
King & Shaxson
BUILDINGS (2)
Burnett Hallamshire — Tarmac
CHEMICALS (1)
Coates Bros. A
STORES (3)
Menzies (J.) — Stanley (A. G.)
Peters Stores
FOODS (2)
Alpine Soft Drinks — Bio-Isolates
INDUSTRIALS (7)
Beolox — Dobson Park
Comb. Tech. — Jardine Matheson
Cornell — Nolton
Cosalt
LEISURE (1)
LWT A
PROPERTY (3)
Thames Inv. — Edenspring Inv.
Do. 12pc Cnv.
SOUTH AFRICANS (1)
Checkers Stores
TRUSTS (6)
Ashland Inc. — Fundinvest
Dualvest Inc. — *London Trust*
EDITH — Authority Inv.
OIL & GAS (5)
Am. Oil Fields — Jackson Explrtn.
Atlantic Res. — KCA Int.
Berkeley Explrtn.

RISES AND FALLS

	Rises	Falls	Same
British Funds	10	42	47
Corpns. Dom. and Foreign Bonds	70	11	59
Industrials	248	267	828
Financial and Prop.	60	126	334
Oils	14	20	77
Plantations	2	71	6
Mines	5	88	63
Others	54	61	63
Totals	403	626	1,480

FINANCIAL TIMES STOCK INDICES

	May 23	May 20	May 19	May 18	May 17	May 16	year ago
Government Secs.	80.54	80.67	80.67	80.81	80.59	80.81	68.79
Fixed Interest	83.00	82.87	82.96	83.00	82.93	82.87	69.61
Industrial Ord.	699.4	696.9	698.4	689.8	675.6	671.1	578.8
Gold Mines	636.5	665.6	680.8	684.4	681.1	677.8	935.2
Ord. Div. Yield	4.64	4.56	4.62	4.56	4.64	4.67	5.45
Earnings, Yld.% (full)	9.02	8.96	8.88	8.94	9.13	8.17	11.28
P/E Ratio (net) (*)	16.76	15.86	15.98	16.89	13.58	15.83	10.83
Total bargains	17,543	26,070	18,107	19,246	16,602	16,649	14,990
Equity turnover £m.	—	299.54	881.67	225.88	246.29	169.54	111.51
Equity bargains	—	20,385	19,223	16,119	15,617	15,513	11,350
Shares traded (ml)	—	194.0	173.7	134.2	136.7	101.2	76.4

10 am 690.8. 11 am 692.4. Noon 693.6. 1 pm 693.8. 2 pm 693.8. 3 pm 692.9.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. *Gold Mines 12/9/55. SE Activity 1974.*

Latest Index 01-246 8026.

Nil = 12.87.

HIGHS AND LOWS — S.E. ACTIVITY

	1983 High	1983 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	82.75 (11/4)	77.00 (24/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	84.36 (18/4)	79.03 (1/2)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	699.0 (27/4)	598.4 (12/1)	699.0 (27/4/83)	49.4 (26/6/40)
Gold Mines	754.7 (15/2)	631.6 (25/5)	734.7 (15/2/83)	43.5 (26/10/71)

	May 20	May 19
—Daily Gilt Edged Bargains	155.3	133.9
Equities Bargains	168.1	124.6
Value	605.4	569.7
5-day Avrge. Gilt-Edged Bargains	140.8	143.3
Equities Bargains	112.8	109.2
Value	494.4	446.6

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

FIXED INTEREST

NEW YORK / TORONTO / MONTREAL Indices

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 35

NEW YORK CLOSING PRICES

Continued from Page 35

COMMODITIES AND AGRICULTURE

U.S. money supply problems push copper values down sharply

BY RICHARD MOONEY

MORE BAD economic news from the U.S., particularly the rise in the money supply, pushed copper values down sharply on the London Metal Exchange (LME) yesterday. Cash high grade copper fell £30 to £1,113 a tonne as new money supply figures extinguished most remaining hopes of a cut in U.S. interest rates.

The decline was fuelled by heavy speculator selling and was encouraged by yet another rise in LME stocks to a new 40-month high. It was cushioned to some extent, however, by sterling's weakness against the dollar and reports of continued, though reduced, Chinese buying.

Cash standard tin ended £17.50 up at £8,610.50 a tonne, helped by continuing support from the International Tin Council's buffer stock manager, but other metals followed copper's fall at a respectful distance. Cash lead fell £2 to £276 a tonne, while cash aluminium lost £2.50 to £958.50 a tonne and cash nickel ended £40 lower at £3,175 a tonne.

A fall to £462.50 for cash zinc surprised some traders as there were rumours that a strike was about to be called at Cominco's trail smelter in British Columbia.

Political and economic influences, rather than the traditional supply and demand equations, will lead to higher prices for the major precious and base-metals this year, writes Stephen Thompson.

This view is expressed by Amalgamated Metal Trading in its latest annual review of metal prices, Metals and Economic Trends.

Of the eight metals covered in the review, AMT forecasts that seven will show increases over current levels during the year and that the remaining metal, tin, will fall in value during 1983 and 1984.

London Metal Exchanges prices for cash copper could reach £1,350 a tonne if the recent Chinese forward buying of copper leads to that country importing around 100,000 tonnes of metal, AMT says.

It forecasts a surplus of 148,000 tonnes of copper in 1983 and a small deficit in 1984.

Aluminium prices may well reach £1,000 a tonne by the end of the year mainly as a result of consumption increasing faster than production. Chinese buying on a large scale has been a notable factor in this market in recent weeks.

Nickel is expected to average some £3,307 a tonne this year, with the figure reaching £3,761 a tonne during 1983.

Tin prices are expected to average around £8,438 and £7,713 in 1983 and 1984 respectively while AMT forecasts that zinc prices may touch £506 and average £482 a tonne during 1983.

Lead supplies are forecast to remain in surplus during the current year and next year with prices expected to average some £320 a tonne in 1983.

● The rise in LME warehouse stocks of copper continued last week with another 4,500 tonnes being added, taking the total to 325,450.

Rises were also recorded for stocks of tin, up 1,830 tonnes to 42,185; lead, up 500 tonnes to 178,050; aluminium, up 2,575 tonnes to 274,300; and silver, up 480,000 ounces to 34.85m. Only zinc stocks fell, by 275 tonnes to 89,150.

Cocoa prices continue to rise

By Our Commodities Staff

COCOA VALUES continued their recent rise on the London futures market yesterday with the July quotation ending £15 up at £1,426.50 a tonne, the highest second position close for more than three years. The price had reached £1,440 during the day before being trimmed by profit-taking.

Yesterday's advance was encouraged by the weakness of sterling against the dollar and a Cocoa Producers' Alliance estimate that production in member countries would fall by 180.000 tonnes this year.

● CHINA hopes to surpass its record 68.42m 1982 wheat harvest this year and expects to do so unless "disastrous" weather intervenes.

● THAI RICE exports fell to 1.106m tonnes in the first quarter this year from 1.151 tonnes in the same period in 1982.

● QUEENSLAND's cotton crop, already damaged by rain last month, is expected now to be further reduced by flood damage in the last few days.

● THE PHILIPPINES is studying ways to keep coconut prices up because it fears that soybeans may be used as a cheaper substitute, President Marcos said.

● COCERAL,... the Brussels-based federation of the European cereals and foodstuffs trade, will hold its 26th annual congress in Edinburgh from June 15-17.

● VOLAC GROUP, the UK market leader in feeding systems and milk replacers for young animals, has set up a special company in the U.S. to liaise with America's largest milk manufacturer to make the goods under licence.

● SRI LANKA'S earnings from rubber exports declined last year to R2.32bn from R2.89bn the previous year.

Pledge to aid would-be farmers dismissed

BY RICHARD MOONEY

A TORY election pledge to improve opportunities for prospective farmers would have "very little effect" if implemented, says Mr John Young, vice-principal of the Royal Agricultural College, Cirencester.

Mr Peter Walker, the Agriculture Minister, said recently proposals for changes in the law on tenancy succession drawn up by the National Farmers' Union and the Country Landowners' Association would be "acted upon."

Mr Walker said that the proposals, drawn up after extensive negotiations, would be dealt with by the next session of Parliament if the Conservatives were returned.

Mr Young believes the NFU/CLA proposals are too limited to achieve their desired effect—removing current legal disincentives for owners to let farm land.

He has been chairing a Royal Institute of Chartered Surveyors (RICS) working party on this question, whose report is published today. Its recommendations are much wider-ranging than the NFU/CLA's, covering fiscal as well as tenancy law changes and alterations in the law affecting existing tenancies.

It proposes the reduction of statutory succession rights from two generations to one for existing tenancies and then only if the holder exercises this right before the age of 65. The successor would have a right to the tenancy only until he reached 65.

For new tenancies the report recommends the abolition of statutory succession rights.

Fiscal changes are suggested, first to put the rented sector on an equal footing with the owner-occupied sector, and second to discourage further amalgamations of holdings into "giant" farms. The imposition of a legal limit on farm size is opposed, however.

Introducing the report, Mr Neil Elliott, RICS president, said it had been prompted by "mounting concern" over the decline in the rented sector from 87 per cent of all UK farm land in 1908 to 41 per cent in 1981. Succession laws and the tax framework had contributed to this in recent years, he said.

He pointed out, however, that any changes introduced by the present Government to "improve" the situation were likely to be reversed by "a future government."

New Zealand knits closer links with Chinese

By Dai Haywood in Wellington

THE CHINESE connection has become very valuable to the New Zealand wool industry. Millions of Chinese women knit hand-made garments from New Zealand knitting wool, and recently Chinese factories began manufacturing New Zealand wool blankets and carpets.

Now New Zealand wool will be used in China's newly developing knitwear industry.

A factory at Nantong has been designed, built and equipped with the help of New Zealand expertise and some New Zealand finance. The factory is ready to start operating. The first shipment of New Zealand scoured wool is on the way, and within a month yarn for machine knitwear factories will be coming from the plant.

China is committed to buy a minimum 5,000 tonnes of New Zealand scoured wool over the next seven years for this factory.

China experts in the New Zealand Wool Board are confident the quantity will increase as the Nantong factory expands.

The board has devoted much effort, and time to cementing its China connection and this has paid off in a steady growth in wool sales.

A few years ago, New Zealand considered it a good season if China bought 3,000 tonnes of wool. This season, with expected orders of around 28,000 tonnes, China will almost certainly be New Zealand's top customer. Mr Roger Buchanan, the wool board's market development manager, predicts that in the next 5-10 years, China will become New Zealand's best regular customer.

This growth, has not happened by chance. New Zealand has worked hard to help China develop its wool textile industry by providing expertise, information, advice and research.

Board staff have spent long periods in China advising on the most suitable machinery, for different types of wool, specifications on raw materials and other matters important to a developing industry.

As a result, China has expanded the range and types of New Zealand wool it can use in its textile industry. The board even has a NZ officer so fluent in Chinese, and particularly wool industry language, that visiting Chinese delegations are happy to use him as translator and negotiator.

Traditionally, Chinese women are enthusiastic hand-knitters, making many of their family's winter clothes. In summer they unravel the garments, wash the wool and re-knit it to prolong the life of the garment. Part of this thrifty conservation is because, until last year, hand-knitting wool has been rationed.

Chinese knitters use a much coarser wool for hand-knitted garments than Europeans. New Zealand's coarse cross-bred wool became popular as a raw material for the expanding yarn factories.

Five years ago, practically all NZ wool bought by China went into these yarn factories, which have expanded steadily. About four years ago, again with the assistance of New Zealand Wool Board and industry technicians, China began using a small quantity of NZ wool for carpet manufacture.

This has developed until now 10 per cent of New Zealand wool exports to China are for the carpet industry.

Next to start using New Zealand wool were the Chinese blanket manufacturers. The wool board's China experts helped blanket manufacturers to adapt different New Zealand wool types for Chinese manufacturing techniques.

Both the carpet and blanket industries are still in early development stages but with consumer demand increasing rapidly in China both are certain to expand.

Now the fledgling knitwear industry is about to start production for the consumer market. Again New Zealand wool will fill a vital role.

One important aspect of New Zealand's expanding wool trade with China is that it is an entirely new market. The bulk of the end use is to meet growing domestic consumer demand. Although China may later try to develop some exports, particularly in knitwear garments, the sheer size of its own population will consume its textile production for many years. The textile industry is a focal point of China's industrial development.

Rain pushes sugar to two-year high

BY OUR COMMODITIES STAFF

DEEPENING CONCERN about the rain-hit European sugar beet crop helped to push sugar values on the London futures market to a two-year high yesterday. The October futures position ended £10.95 up at £182.775 a tonne. In the morning, the London daily raws price had been fixed £14 higher at £160 a tonne.

The rise followed a warning from British Sugar that the 7 per cent of Britain's planned 203,000 hectares which remains unplanted "must now be considered seriously at risk."

Last week, the company forecast an average UK crop of around 1m tonnes, down from last year's record 1.4m tonnes.

Also helping to lift the market, dealers said, was sterling's weakness against the dollar, lack of new white sugar sales by India and news that the Dominican Republic had suspended sugar sales to the international market.

The Dominican State Sugar Council said it had stopped selling to the world market on May 4 but would continue selling to the U.S. under its quota. Sales under the U.S. import quota system earn 17.32 cents a pound, nearly three times the world market price.

The Dominican Republic's U.S. quota amounts to 492,000 tonnes. In the 1981/82 season its total exports were 1.07m tonnes.

The London market had opened on a strong note, reflecting the firm trend in New York on Friday night.

PRICE CHANGES

In tonnes unless stated otherwise	May 23 1983	+ or —	Month ago
Metals			
Aluminium	£880		£880
Free Mkt.	$1470/1500	+5	$1380/390
Copper			
Cash h grade	£1113	-30	£1107.0
Palladium	$188.75	-2.25	$197.50
Platinum	£280.70	-4.55	£271.90
Quicksilver†	$286/296		$300/320
Silver troy oz.	819.20p	-34.85	785.90p
3 mths	840.40p	-34.88	806.10p
Tin cash	£8610.5	+17.5	£8799
3 month	£8710.5	-22.5	£8753
Tungsten	$86.68		$85.22
Wolfram 22.04 lb	$89/91		$89/91
Zinc Cash	£462.5	-14	£456.75
3 mths	£476.25	-14	£471.25
Producers	$780		$750

	May 23 1983	+ or —	Month ago
Oils			
Coconut (Phil)	$615z		$595
Groundnut	‡		‡
Linseed Crude	£316y		‡
Palm Malayan	$487.5x		$437.5
Other commodities			
Cocoa ship't*	£1467	+15	£1350.5
Fut. July	£1426.5	+15	£1305.5
Coffee Ft. July	£1682	+11.5	£1665.5
Cotton A. Index	83.50c	-0.2	80.50c
Gas Oil June	$242	+2.75	$248.75
Rubber (kilo)	74.5p	-0.5	74p
Sugar (Raw)	£160yw	+14	£117
Wooltops 64s	385p kilo		384p kilo

‡ Unquoted. x June. w July. y May-June. z June-July. † Per 76lb flask. * Ghana cocoa. n Nominal.

LONDON OIL SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	28.50-28.60	+0.16
Iranian Light	27.75-28.00	—
Arabian Heavy	25.95-26.10	+0.07
North Sea (Forties)	28.55-29.50	+0.12
North Sea (Brent)	29.55	+0.05
African Bonny L'ht	29.70-28.75	+0.07
PRODUCTS—North West Europe CIF ($ per tonne)		
Premium gasoline	299-305	-0.5
Gas oil	237-246	+2.5
Heavy fuel oil	161-163	—

GAS OIL FUTURES

Prices began the day strongly, reflecting the New York close. In volume kept low by the European holiday, prices drifted down until steadiness in the U.S. brought prices back to new highs later in the day, reports Premier Man.

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
May	244.00	+9.25	244.00-43.50
June	242.00	+2.75	242.75-40.75
July	241.50	+9.25	242.00-40.00
Aug	249.50	+9.00	244.00-41.25
Sept	245.50	+9.00	246.00-43.50
Oct	248.50	+5.00	249.00-45.50
Nov	251.50	+3.00	251.50-48.00
Dec	254.75	+4.25	254.75-51.00
Jan	254.00	+3.00	—

Turnover: 2,739 (1,253) lots of 100 tonnes.

GOLD MARKETS

Gold fell $6 to $433-434 on the London bullion market yesterday. It opened at $434-435, the highest level of the day, and was fixed at $433 in the morning, and $432¾ in the afternoon. The metal touched a low of $431-432.

Markets in Paris, Frankfurt, Luxembourg and Zurich were closed for the Whitsun holiday.

LONDON FUTURES

Month	Yest'rday's close	+ or —	Business Done
	$ per troy ounce		
June	434.70-35.2	-4.800	435.20-32.5
July	437.80-38.5	-5.500	—
August	440.50-41.5	-5.550	441.50-38.5
Sept	443.50-45.0	-5.550	442.00
Oct	447.00-46.5	-5.750	447.00
Nov	450.00-52.0	-5.750	—

Turnover: 1,441 (348) lots of 100 troy ounces.

Gold Coins May 20

Krugrnd	$447-448	(£287½-288)	King Sov	$104½-106	(£67-68)
½ Krg	$290½-231½	(£148¼-148¾)	Victoria Sov	$104½-106	(£67-68)
¼ Krg	$117½-118½	(£75½-76¼)	French 20s	$89¼-87¼	(£59¼-56½)
1/10 Krug	$47¾-48¼	(£51-31½)	50 pesos Mex	$599-539	(£342¾-346¼)
Mapleleaf	$446-447	(£286¾-287½)	100 Cor. Aust	$420-429	(£270-270¾)
New Sov	$101¾-102½	(£65½-66)	$20 Eagles	$555-565	(£356¾-363¼)
½ New Sov	$60½-62½	(£39-40¼)			

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES fell sharply on the London Metal Exchange, mainly reflecting the heavy selling evident in U.S. markets late on Friday. The marked weakness of U.S. stock-markets, following the U.S. money supply figures, unsettled all base-metal prices, as well as gold, and saw ...

Nickel — Morning: Three months £3,260, 55, 60, 50, 60, 85, 70, 75, 80, 85. Kerb: Three months £3,280, 90. Afternoon: Three months £3,290, 80, 75, 70, 65, 66, 66, 63, 61, 63. Kerb: Three months £3,250, 45, 50. Turnover: 1,296 tonnes.

* Cents per pound. ‡ MS per kilo. † On previous unofficial close.

ZINC

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	464.5-5	-11.8	462-3	-14
9 months	479-.5	-11.5	476-.5	-14
Settlem't	465	-11.7	—	.....
Primw'ts	—	.....	*40-.75	.....

Zinc—Morning: Three months £478, 79.50, 79, 80, 79, 79.50, 79. Kerb: Three months £479, 78.50, 78, 77.50, 77. Afternoon: Three months £478.00, 77.50, 77, 76. Kerb: Three months £476, 75.50, 76, 73, 76. Turnover: 22,050 tonnes.

ALUMINIUM

Aluminium	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	055-.5	-6.5	956-9	-2.5
9 months	985-.5	-4	987-.5	-1.25

Aluminium—Morning: Three months £968, 69, 70, 71, 72, 73, 74, 75, 75.50, 80, 79, 80, 80.50, 81, 81.50, 82, 83. Kerb: Three months £983, 82, 83, 84, 85, 86. Afternoon: Three months £985, 86, 87, 87.50, 88, 88.50, 88, 87.50, 87. Kerb: Three months £986, 85, 84.50, 84, 83, 82, 81, 80, 81, 82. Turnover: 19,975 tonnes.

NICKEL

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	3185-95	-35	3170-80	-40
3 months	3275-80	+58.5	3263-5	-39

POTATOES

An opening rise was very short-lived and sellers were in strength throughout the day, reports Coley and ...

Soviet fodder shortages

MOSCOW — A farm magazine has said a large proportion of the Soviet grain crop is still being fed to animals because of a shortage of fodder supplies.

The journal, Economics of Agriculture, said that year after year around 20m tonnes of high quality grain which should have been turned into bread was lost in this way.

There was no sign of any improvement, even though this waste was one of the prime reasons Moscow needed to import supplies from the West.

The magazine urged the agricultural authorities to compel farms to plant more fodder crops such as hay, saying this was the only way to ease the problem.

The report also revealed that Moscow is having problems with the quality of its grain.

It said that, in general, quality had declined in the past few years, largely because of a drop in protein levels. It blamed poor farming methods and inadequate equipment.

In some areas the grain harvest was brought in too early, in others too late.

The Soviet journal said a widespread problem was that the harvested crop was left lying in the fields for too long before collection and lost much of its goodness.

The magazine said many Soviet farms still did not use fertiliser properly and another factor contributing to a decline in quality was improper care of seeds before planting.

Reuter.

TEA AUCTIONS

... cons met fair support but prices lost 3p-6p, plain Central Africans declined 2p-3p except selected pekoe dusts which were dearer. Offshore offerings, with limited interest, were 3p-6p easier. Quotations: quality 137p a kg (142p), medium 124p a kg (128p), low medium 113p a kg (117p).

JUTE

JUTE—C and f Dundee BWC £275, BWD £246, BTB £314, BTC £274, BTD £244; c and f Antwerp BWC £278, BWD £245, BTC £273, BTD £244; c and f Dundee May 40 in. 10 oz. £12.72, 40 in. 7½ oz. £9.71; B twills £37.43.

Jute harmony plans agreed

CALCUTTA—A meeting of jute manufacturing countries has agreed to harmonise specifications on certain jute goods, officials said.

The three-day conference, attended by India, Bangladesh, Thailand, China and Nepal, was called to discuss ways of improving the standard of jute goods, facing growing competition from cheaper synthetic substitutes on the world market.

Officials said the meeting had agreed to standardise the size and quality of jute bags and some other items.

AMERICAN MARKETS

NEW YORK, May 23.

ON THE OPENING all markets sensitive to interest rates reacted negatively to last week's money supply figures, with debt instruments under considerable pressure but without the violent reaction experienced in the cash markets. Soon sentiment improved and bargain hunters moved in. Precious metals recovered from early losses on fears that the larger money supply would be followed by inflationary expectations; also fears of a higher CPI figure attracted speculative buying. Copper recovered on good commission house interest as the market failed to follow through after collapsing on Friday's close. Sugar prices were limit-up on short-covering and trade commission house buying as the Dominican Republic suspended sales. Coffee markets were mixed on profit-taking in very light trading. Cocoa prices advanced again on reports of civil unrest in Ghana and delays of interior shipments to ports. Forecasts of drying weather in the cotton belt put great pressure on the markets; however, prices recovered most of the early losses. Grain markets recovered from last week's selling mostly on profit-taking and short-covering. Soyabeans were firm to strong on strong commission house support, reported Heinold Commodities Ltd.

NEW YORK

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
May	2186	—	—	2161
July	2082	2095	2037	2063
Sept	2115	2128	2071	2097
Dec	2147	2159	2098	2122
March	2166	2165	2125	2140
July	2211	—	—	2186

ORANGE JUICE 15,000 lbs, cents/lb

	Close	High	Low	Prev
July	117.35	117.20	119.95	117.30
Sept	118.00	118.10	119.00	119.00
Nov	111.40	111.40	111.20	111.35
Jan	105.00	105.25	105.19	105.20
March	103.50	104.20	103.90	104.00
May	103.75	104.80	104.00	103.90
July	103.70	104.10	104.10	104.00
Sept	13.70	—	—	104.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
June	454.6	442.0	436.0	446.9
July	456.6	458.5	438.0	447.8
Oct	461.1	463.5	443.5	453.3
Jan	457.9	457.0	450.0	480.0
April	474.5	464.0	458.0	456.7
July	482.1	—	—	474.3

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
May	1324.5	1325.0	1270.0	1309.5
June	1327.0	1285.0	1270.0	1312.6
July	1337.0	1345.0	1278.0	1323.0
Sept	1357.3	1360.0	1298.0	1343.0
Dec	1389.0	1394.0	1326.0	1374.4
Jan	1399.5	1343.0	1340.0	1384.7
March	1421.0	1427.0	1368.0	1405.4
May	1443.0	1400.0	1386.0	1426.0
July	1465.0	—	—	1448.4
Sept	1487.5	1480.0	1480.0	1471.1

SUGAR WORLD "11" 112,000lbs, cents/lb

	Close	High	Low	Prev
July	11.00	11.03	10.50	10.38
Sept	11.40	11.43	10.95	10.87
Oct	11.67	11.61	11.19	11.11
March	12.72	12.72	12.34	12.22
May	13.03	13.03	12.82	12.53
July	13.36	13.36	12.98	12.86
Sept	13.53	13.24	13.24	13.03
Oct	13.70	13.69	13.40	13.20

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

1983 High	Low	Stock	Price £	+ or –	Int.	Red. Yield
99½	94¼	Aust. 6pc 1981-83	97⅞xd	+¼	6.15	10.65
78½	74¼	N.Z. 7¼pc 1988-92	77¼	....	9.66	11.89
92¾	88¼	Do. 7½pc '83-86	89¼xd	+¼	8.35	11.50
168	158	S. Rhod 2½pc Non-Ass	168	....	—	—
80	74	Do. 3½pc 80-85 Asstd	80	....	4.40	11.65
54	44	Do. 4½pc 87-92 Asstd	50	....	9.17	14.61
390	321	Zimbabwe Ann (£100pa)	360	–2	—	16.34

LOANS

Public Board and Ind.

1983 High	Low	Stock	Price £	+ or –	Int.	Red. Yield
77½	72½	Agric. Mt. 5pc '59-89	75½	....	6.79	11.02
34¼	31¼	Met. Wtr. 3pc 'B'	34¼	....	8.92	11.63

LOANS—Continued

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

1983 High	Low	Stock	Price	+ or –	Div. Gross	C'vr	Gr's
26¼	19⅞	Tor. Dom. Bk. $1	25⅜xd	–½	$2.00	—	4.2
15⅝	13	¶Trans Can Pipe	14⅞	–¼	$1.40	—	5.1

BANKS, H.P. & LEASING

1983 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's	P/E
243	190	ANZ $A1	238	....	Q28c	3.1	8.9	4.7
295	253	Alexanders 8. £1	258	+3	20.0	—	11.1	—
£93	£66	Algemene Fl 100	£85	....	vQ26%	1.8	7.4	7.5
134	98	Allied Irish	134	+4	Q45.3%	4.0	7.2	4.4
110	77	Ansbacher (H) 15p	77	–3	3.5	—	6.5	—
300	255	Bk. Ireland £1	285xd	+9	Q29.4%	—	0.8	—
3½	2	Bank Leumi	2½	....	—	—	—	—

BANKS—Continued

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued.

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

1983 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
396	344	Initial	359	.....	†10.75	2.5	4.3	11.1
45	27	Inter-City 20p	34	−1	—	—	—	—
180	158	[illegible]	178	...	td4.0	1.8	3.2	24.7
206	165	Jackson Bourne	175	.....	5.0	3.1	4.1	11.3
28½	19	James Inds. 10p	24	.....	1.25	ϕ	7.8	ϕ
160	115	♥Jardine M HK$5	115	−2	Q80c	ϕ	6.8	ϕ
34	18	Jenks & Cattell	30	.....	1.06	ϕ	5.0	ϕ
349	282	Johnson Clnrs.	299	.....	10.8	2.8	5.2	8.4
340	293	Johnson Matw. £1	320	.....	10.0	1.9	4.5	(14.0)
353	228	Johnston Grp. 10p	353xd	−7	6.0	5.0	2.4	11.8
102	87	Jourdan (T.) 10p	98	.....	5.6	1.2	8.2	13.6
59	39	Kalamazoo 10p	51	.....	2.5	0.9	7.0	22.8
210	140	Kelsey Inds.	170	.....	0.0	1.7	6.7	11.7
140	110	Kershaw (A.) 5p	135	.....	15.0	0.6	15.9	(8.9)
54	39	Kleen-E-Ze Hldgs.	53	.....	t3.0	0.2	0.1	—
•74	52	L.C.P. Hlds	69	.....	3.6	0.6	7.5	(40.3)
136	103	L.R.C. Int. 10p	122	+3	t3.1	2.0	3.6	20.6
30	17	Lamont Hldgs. 10p	28	.....	1.3	1.8	6.6	11.0
38	26	Lawtex	38	+3	—	—	—	—
410	350	Lep Group 10p	350	.....	17.5	1.7	7.1	(12.2)
36	22	Lilleshall 10p	33	.....	d1.0	—	4.3	—
700	140	Lon. & Liv. 10p	153xd	+5	5.5	ϕ	5.1	ϕ
128½	102	London & Mid'd	126	.....	7.75	1.1	8.8	(15.1)
80	55	Lon. D. Nthn. Grp.	79	−1	†3.75	2.1	6.8	8.4
40	27	♦Lon. Priv. Health	27	.....	—	—	—	13.5
9½	7½	Long Hmbly. 10p	9½	.....	—	—	—	—
65	46	Longton Inds.	55	.....	1.0	—	2.6	—
110	70	Low & Bonar 50p	94	.....	5.0	0.6	7.6	(40.4)
26	16	M.Y. Dart. 10p	20	.....	0.3	—	0.7	—
212	138	M'c'rthy Ph. 20p	139	.....	7.0	2.5	7.2	6.9
146	128	Macfarlane Gp.	141	+1	3.52	2.1	3.6	17.2
46	40	Maclellan 20p	40xd	.....	d1.5	1.6	5.4	14.4
63	48	Macpherson (D.)	58	.....	4.2	0.6	10.3	(31.2)
54	41	Magnolia Group	54	+1	2.3	3.2	6.1	6.5
180	65	Man. Ship Can. £1	137	.....	3.5	6.8	3.7	4.1

[illegible]

INSURANCE

[illegible]

LEISURE

[illegible]

LEISURE—Continued

1983 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
175	110	Boosey & Hawkes	172	.....	2.3	ϕ	1.9	ϕ
61	40	Campari Int. 20p	50	.....	d2.73	ϕ	7.8	ϕ
32	23	Fairline Boats 10p	29	.....	td1.0	—	5.0	—
16½	14½	GRA Group 5p	15	.....	—	—	—	19.3
58	45	Grampian TV A 10p	54	.....	3.6	ϕ	10.0	ϕ
163	136	HTV Non/Vtg.	151	.....	11.0	2.0	10.4	6.7
222	145	Horizon	158	.....	3.6	5.7	3.3	6.9
134	91	Intasun 10p	127	.....	3.5	4.8	3.9	6.5
168	139	LWT "A"	139	−2	11.08	1.1	11.4	11.2
378	287	♦Leisure Inds.	348	.....	♦16.0	3.0	2.5	16.1
•147	101	Leisuretime Int 10p	106	−2	g1.54	ϕ	2.1	ϕ
328	108	Magmt. Ag. M. 10p	113	.....	8.75	1.6	11.4	8.0
60	52	Medminster 10p	54	+2	†4.0	0.8	10.6	17.0
128	53	♦Nimslo Int 20c	75	−1	—	—	—	—
188	45½	Norton Opax 10p	105	.....	t2.17	0.5	2.9	—
29	22½	♦Owners Abroad	23½	+½	0.5	ϕ	3.0	ϕ
47	36	Photax (Lon.)	36	.....	—	—	—	—
153	90	[illegible]	92	.....	td1.5	2.1	2.3	22.7
335	217½	Pleasurama 5p	313	+11	t5.75	4.5	2.6	18.6
173	108	♦Radio City 'A' NV	165	.....	g5.6	1.6	4.9	17.7
207	138	Riley Leisure 10p	168	−1	3.95	1.7	3.4	23.2
132	84	Saga Hols. 20p	130	.....	d3.73	—	4.1	—
515	345	Samuelson Grp 20p	460	−15	12.0	2.8	3.8	15.8
104	94	Scott. TV 'A' 10p	100	+2	7.35	2.2	10.5	6.1
60	28	♦SelecTV 10p	34	−1	—	—	—	—
16½	15½	TSW 5p	16	.....	0.9	3.3	0.0	5.9
43	50	♦TVS N/Vtg 10p	33	.....	—	—	—	—
29	19	♦Telemeter Serv 10p	20	.....	b0.2	3.3	1.4	30.8
104½	64	Trid'nt TV 'A' 10p	77½	−1½	♦4.26	1.4	7.9	13.3
180	110	♥21st Century Dist	110	.....	—	—	—	—
24	13	Webb (Jos.) 5p	18	.....	d0.51	0.3	4.1	—
85	78	Zetters 5p	79	.....	2.75	2.9	5.0	10.0

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

1983 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
300	218	Falcon Rh.50c	246	−4	Q70c	ϕ	21.9
21	16	Wankie Col. Z$1	21	.....	Q5c	0.7	14.0
28	18	Zam Cpr.SBD0.24	24	.....	—	—	—

Australians

1983 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
28½	13½	♥ACM 20c	17½	.....	—	—	—
For Argosy Gld Mines see Southern Ventures							
25	11	Balmoral Resources	22	.....	—	—	—
60	42	♥Black Hill Mins.	50	−2	—	—	—
74	52	♥Bond Corp.	55	−2	Q10c	2.3	11.2
156	116	♥Bougainville 1 Kina	148	−4	Q3.42c	1.2	1.4
•300	204	♥CRA 50c	285	−13	t03c	—	0.6
145	60	♥Carr Boyd 20c	85	−6	—	—	—
35	18	♥Central Pacific	24	.....	—	—	—
345	210	♥Crusader Oil	345	.....	—	—	—
15	8	♥Cultus Pac NL	9	.....	—	—	—
19	7	♥Eagle Corp 10c	14½	.....	—	—	—

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL AND IRISH STOCKS

[illegible]

OPTIONS

3-month Call Rates

[illegible]

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Money supply gives dollar further boost

A rise of $7bn in U.S. M1 money supply announced on Friday underlined market fears that the previous week's sharp increase was not merely an aberration and is almost certain to mean that U.S. interest rates will not fall ahead of the Williamsburg Summit. Fears are even beginning to grow that the rising money supply figures, coupled with an increase in economic activity, will push up interest rates once the summit is out of the way.

Foreign exchange trading was generally very quiet, however, with most European centres closed for the Whitsun holiday.

Sterling was very firm, finishing unchanged against the dollar and gaining ground against major Continental currencies and the yen.

DOLLAR — Trade-weighted index (Bank of England) 123.4 against 124.5 six months ago. The dollar has remained firm as recurring hopes of a steady reduction in the Federal Reserve discount rate have been repeatedly dashed. Signs of U.S. economic growth and inconsistent money supply figures again threaten to disappoint the market, which had been hoping for a lowering of the discount rate ahead of the Williamsburg Summit.

The dollar rose to DM 2.4870 from DM 2.4765, after touching a peak of DM 2.4935, the highest since early February. It also rose to a record FFr 7.4725 from FFr 7.43 and improved to SwFr 2.0815 from SwFr 2.0740 and to Y235.75 from Y233.90.

STERLING — Trading range against the dollar in 1983 is 1.6245 to 1.4540. April average 1.5421. Trade-weighted index 84.3, against 84.2 at noon, 84.1 in the morning, 84.1 at the previous close, and 87.1 six months ago. Sterling has been much steadier of late as oil price worries have faded into the background. Election nerves have left the pound looking vulnerable at times but the large lead of the Conservatives in the opinion polls is acting as a sedative.

Sterling traded within a narrow range of $1.5500 to $1.5570. It opened at $1.5520-1.5530, and closed unchanged on the day at $1.5555-1.5565. The pound rose to DM 3.87 from DM 3.8525; to FFr 11.6250 from FFr 11.56; to SwFr 3.24 from SwFr 3.2275; and to Y367 from Y364.

ITALIAN LIRE — Trading range against the dollar in 1983 is 1,478.50 to 1,343. April average 1,453.10. Trade-weighted index 51.8 against 52.3 six months ago. The last EMS realignment placed the lira at the top of the system. However Italy's high inflation and economic problems could begin to push the lira lower. It is already near the record low touched against the dollar six months ago.

The lira showed mixed changes at the Milan fixing, losing ground to the dollar and sterling, but improving against most members of the EMS. The dollar rose to L1,480.50, close to the record level of last November, and was fixed at L1,479.20, compared with L1,472.45 on Friday. Trading was light because many centres were closed for the Whitsun holiday. Sterling improved to L2,297.50 from L2,290.30, but the D-mark fell to L594.05 from L594.76.

JAPANESE YEN — Trading range against the dollar in 1983 is 242.25 to 226.80. April average 237.52. Trade-weighted index 147.8 against 134.9 six months ago. The yen maintains a strong undertone, but has been caught up with other currencies in the general move back into the dollar, on interest rate considerations. Any change of sentiment depressing the dollar is likely to work more in favour of the yen than European currencies however, because of Japan's economic strength.

The yen weakened against the dollar in Tokyo yesterday. The U.S. currency rose to Y235.85 from Y233.95, after touching a peak of Y236.05. News of a sharp rise in U.S. M1 money supply pushed the dollar higher initially, but there was little movement during the rest of the day. There were some doubts as to whether the Bank of Japan intervened to support the yen during the day.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU May 20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.2217	+0.71	+0.90	±1.5447
Danish Krone ...	8.14104	8.08486	−0.69	−0.90	±1.6425
German D-Mark	2.24184	2.26532	+1.05	+0.84	±1.0842
French Franc ...	0.87456	0.90281	−1.04	−1.25	±1.4052
Dutch Guilder ...	2.52595	2.54396	+0.71	+0.50	±1.4964
Irish Punt	0.72569	0.716877	−1.21	−1.42	±1.6699
Italian Lira	1403.49	1347.48	−3.99	−3.99	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

May 23	£	$		£ Note Rates
Argentina Peso..	119,977-190,171	79,160-79,210	Austria..........	26.20-27.20
Australia Dollar..	1.7640-1.7060	1.1340-1.1000	Belgium..........	78.75-77.50
Brazil Cruzeiro .	733.35-757.55	471.95-474.20	Denmark..........	15.79-15.85
Finland Markka..	0.5090-8.0215	5.4600-5.4710	France..........	11.54-11.64
Greek Drachma..	192.564-151.217	83.95-84.06	Germany..........	3.88-3.89
Hong Kong Dollar	10.80½-10.92¼	7.02-7.03	Italy	9970-2500
Iran Rial..........	159.40*	85.10*	Japan..........	388-370
Kuwait Dinar (KD)	0.4525-0.4050	0.0010-0.2010	Netherlands......	4.32-4.36
Luxembourg Fr..	77.10-77.20	49.22-49.64	Norway	11.07-11.17
Malaysia Dollar..	3.5700-3.5775	2.3000-0.3020	Portugal..........	147-168
New Zealand Dlr.	2.0520-2.5070	1.5120-1.6148	Spain..........	201½-218½
Saudi Arab. Riyal	5.5678-5.3650	3.4500-3.4510	Sweden.	11.09-11.72
Singapore Dollar	0.2450-0.2520	2.0910-2.0930	Switzerland......	5.22-3.26
Sth. African Rand	1.6800-1.6810	1.0796-1.0805	United States...	1.54½-1.58½
U.A.E. Dirham...	0.7015-5.7105	0.8710-3.6700	Yugoslavia........	197-107

*Selling rates.

CURRENCY MOVEMENTS

May 23	Bank of England Index	Morgan Guaranty Change %
Sterling..............	84.5	−50.5
U.S. dollar..............	125.4	+12.4
Canadian dollar....	90.7	−17.6
Austrian schilling.	119.8	+90.9
Belgian franc......	93.4	− 9.2
Danish kroner	82.9	−11.2
Deutsche mark. ...	128.7	+88.7
Swiss franc..........	150.1	+106.0
Guilder..............	117.5	+98.7
French franc........	69.8	−20.4
Lira..............	51.2	−59.4
Yen..............	147.8	+41.1

Based on trade weighted changes from Washington agreement December 1971. Bank of England index (base average).

CURRENCY RATES

May 23	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.694140	N/A
U.S. $	8½	1.07830	N/A
Canadian $...	9.36	*	N/A
Austria Sch	3¾	N/A	N/A
Belgian F ...	9½	N/A	N/A
Danish Kr ...	7½	N/A	N/A
D mark	4	N/A	N/A
Guilder	4½	N/A	N/A
French F......	9½	N/A	N/A
Lira	17	1595.12	N/A
Yen	5½	254.277	N/A
Norwgn Kr...	9	N/A	N/A
Spanish Pta	—	N/A	N/A
Swedish Kr	8½	N/A	N/A
Swiss Fr	4	N/A	N/A
Greek Dr'ch	20½	91.6789	N/A

*C$/SDR rate for May 20: 1.33331

THE POUND SPOT AND FORWARD

May 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.5500-1.5570	1.5555-1.5565	0.20-0.15c pm	1.35	0.43-0.38 pm	1.04
Canada	1.9150-1.9220	1.9195-1.9205	0.15-0.05c pm	0.62	0.40-0.30 pm	0.73
Nethlnd.	4.33½-4.36½	4.34½-4.35½	2¼-1⅝c pm	5.17	5¼-4¾ pm	4.49
Belgium	77.00-71.40	77.10-71.20	5c pm-5 dis	—	2 pm-8 dis	−0.18
Denmark	19.78-19.83	19.79-13.80	2⅞-1½ ore pm	1.79	1⅝-⅞ pm	0.29
Ireland	1.2220-1.2265	1.2235-1.2245	0.39-0.52 p dis	−4.46	1.13-1.32dis	−4.00
W. Ger.	3.85½-3.89½	3.86½-3.87½	2¼-1⅝ pf pm	6.91	5¼-4⅞ pm	5.30
Portugal	153.50-156.30	164.00-156.00	370-1540c dis	−73.83	745-2285dis	−39.22
Spain	215.50-219.50	219.00-212.30	220-280c dis	−13.88	690-780dis	−13.80
Italy	2294-2302	2299-2301	8¾-10¾ lire dis	−5.09	30-34 dis	−5.56
Norway	11.10-11.15	11.12-11.13	3½-4½ ore dis	−3.81	9⅝-10⅜ dis	−3.46
France	11.57-11.63	11.62-11.63	2-3c dis	−2.58	8½-10 dis	−3.15
Sweden	11.66-11.70	11.68-11.69	⅝-1¼ ore dis	−0.96	2⅞-3⅛ dis	−0.94
Japan	365-368	366½-367½	1.40-1.20 y pm	4.25	3.70-3.50 pm	3.92
Austria	27.10-27.30	27.22-27.27	14⅝-14 gro pm	8.08	39⅝-34⅞ pm	5.47
Switz.	3.22½-3.25½	3.23½-3.24½	1⅞-1⅝c pm	6.02	4⅝-4⅜ pm	5.55

Belgian rate is for convertible francs. Financial franc 77.50-77.60. Six-month forward dollar 0.76-0.71c pm. 12-month 1.23-1.13c pm.

THE DOLLAR SPOT AND FORWARD

May 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5500-1.5570	1.5555-1.5565	0.20-0.15c pm	1.35	0.43-0.38 pm	1.04
Ireland†	1.2675-1.2730	1.2720-1.2730	0.72-0.62c pm	6.34	1.80-1.60 pm	5.36
Canada	1.2345-1.2365	1.2345-1.2350	0.04-0.07c dis	−0.53	0.06-0.11dis	−0.31
Nethlnd.	2.7950-2.7985	2.7950-2.7970	0.95-0.85c pm	3.88	2.50-2.40 pm	3.50
Belgium	49.62-49.75	49.62-49.64	4-5c dis	−1.08	12-15 dis	−1.08
Denmark	8.8600-8.9000	8.8600-8.8700	½ ore pm-½ dis	—	0.70-1.70dis	−0.54
W. Ger.	2.4865-2.4935	2.4865-2.4875	0.98-0.94pf pm	4.83	2.70-2.65 pm	4.30
Portugal	89.50-100.25	89.65-100.15	250-1000c dis	−75.67	500-1500dis	−40.04
Spain	138.70-139.10	138.80-139.00	150-190c dis	−14.69	470-540dis	−14.55
Italy	1478-1480	1478-1479	7½-8 lire dis	−6.29	23½-25 dis	−9.56
Norway	7.1500-7.1650	7.1500-7.1600	2.40-3.40 ore dis	−4.86	7.00-8.00dis	−4.19
France	7.4600-7.4750	7.4700-7.4750	2.25-2.45c dis	−3.77	7.60-8.10dis	−4.20
Sweden	7.5100-7.5300	7.5100-7.5200	1.00-1.90 ore dis	−2.07	3.20-3.80dis	−1.86
Japan	235.60-236.40	235.70-235.80	0.65-0.55y pm	3.05	1.78-1.68 pm	2.93
Austria	17.50-17.52	17.50-17.51	14½-13gro pm	6.08	20.50-18.00pm	4.40
Switz.	2.0790-2.0850	2.0810-2.0820	0.85-0.75c pm	4.61	2.41-2.31 pm	4.53

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 49.80-49.90.

EXCHANGE CROSS RATES

May, 23	Pound St'rling	U.S. Dollar	Deutschem'k	JapaneseYen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.556	3.870	367.0	11.626	3.243	4.353	9000.	1.920	77.15
U.S. Dollar	0.643	1.	2.472	235.9	7.471	2.082	2.797	1472.	1.234	49.58
Deutschmark	0.258	0.402	1.	94.83	3.004	0.837	1.128	594.3	0.496	10.94
Japanese Yen 1,000	2.795	4.240	10.54	1000.	31.68	8.822	11.86	6267.	5.252	210.2
French Franc 10	0.860	1.332	3.329	315.7	10.	2.787	3.744	1978.	1.659	66.37
Swiss Franc	0.309	0.480	1.194	115.3	3.588	1.	1.343	709.9	0.593	23.81
Dutch Guilder	0.230	0.357	0.889	84.39	2.271	0.744	1.	528.4	0.441	17.73
Italian Lira 1,000	0.435	0.270	1.683	159.8	5.054	1.409	1.892	1000.	0.835	33.54
Canadian Dollar	0.021	0.810	2.016	191.1	6.055	1.688	2.207	1196.	1.	40.12
Belgian Franc 100	1.292	2.017	5.010	467.7	15.07	4.200	5.642	2981.	2.489	100.

FINANCIAL FUTURES

Weaker trend

Prices weakened on the London International Financial Futures Exchange yesterday. Eurodollar trading was concentrated in the September delivery month as June moved near to its settlement date. The September price opened 17 basis points lower at 90.54, and traded down to a low of 90.45, before closing at 90.46, compared with 90.71 on Friday. The market weakened in late trading, reflecting the depressed state of the Eurodollar contract on the IMM in Chicago. The rise of $7bn in U.S. M1 money supply growth announced Friday was above expectations and followed a disappointingly large increase the previous week, ending almost any lingering hopes of a cut in the Federal Reserve discount rate before the Williamsburg Summit.

Price movements also reflected the weakness of the U.S. bond market as a result of the money supply figures, but the downward trend was tempered by a fairly steady cash market, as Eurodollar rates opened firmer in London, but closed only slightly up on the day.

Sterling's steady performance on the foreign exchanges gave some support to the short sterling interest rates and long-term gilt contracts. Volume also moved into the September delivery month for three-month sterling, where the price opened 10 points lower at 90.01 following a slight firming of cash values on the London money market, and closed near the day's low at 89.95, compared with 90.11 on Friday.

June remained the most active month in the gilt contract, with the market opening at 103.15, the low of the day, and recovering slightly to finish at 103.23, compared with 103.27, helped by steady trading in the cash market.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	90.74	90.80	90.70	90.95
Sept	90.46	90.55	90.45	90.71
Dec	90.25	90.35	90.25	90.46
March	90.04	90.17	90.04	90.24
June	89.83	89.89	89.83	90.90

Volume 1,580 (1,736)
Previous day's open int. 4,187 (4,404)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
June	89.83	89.89	89.77	89.93
Sept	89.95	90.02	89.94	90.11
Dec	89.89	89.94	89.87	90.07
March	89.78	89.81	89.78	89.90
June	89.55	89.58	89.58	89.70

Volume 657 (528)
Previous day's open int. 3,513 (3,556)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	103-23	103-27	103-10	103-27
Sept	103-19	103-15	103-07	103-17
Dec	105-01	105-04	105-00	105-08
March	104-21	—	—	104-20
June	104-07	104-07	104-07	104-18

Volume 997 (1,018)
Previous day's open int. 3,744 (3,641)
Basis quote (clean cash price of 15½% Treasury 1998 less equivalent price of near futures contract) 9 to 9 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.5527	1.5538	1.5500	1.5580
Sept	1.5494	1.5500	1.5470	1.5543
Dec	1.5467	1.5472	1.5465	1.5513

Volume 955 (1,366)
Previous day's open int. 1,864 (2,091)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
June	0.4021	0.4025	0.4020	0.4060
Sept	0.4067	0.4068	0.4067	0.4093
Dec	—	—	—	—

Volume 74 (65)
Previous day's open int. 634 (638)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
June	0.4797	0.4810	0.4797	0.4830
Sept	0.4862	0.4865	0.4862	0.4896
Dec	—	—	—	—

Volume 58 (16)
Previous day's open int. 482 (477)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
June	0.4242	0.4248	0.4237	0.4282
Sept	0.4275	—	—	0.4313
Dec	—	—	—	—

Volume 83 (54)
Previous day's open int. 378 (379)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	75-00	76-01	75-20	76-10
Sept	75-12	75-13	75-01	75-23
Dec	74-26	74-29	74-12	75-06
March	74-12	74-14	74-03	74-24
June	74-01	74-01	73-24	74-11
Sept	73-22	73-22	73-15	74-00
Dec	73-19	73-13	73-06	73-23
March	73-05	73-05	72-31	73-16
June	—	—	—	—
Sept	—	—	—	—
Dec	—	—	—	—

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	91.52	91.56	91.46	91.66
Sept	91.27	91.31	91.21	91.45
Dec	91.09	91.11	91.00	91.23
March	90.88	90.90	90.83	91.03
June	90.67	90.70	90.67	90.86
Sept	90.50	90.56	90.50	90.68
Dec	90.36	90.39	90.36	90.49
March	—	—	90.21	90.33

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	91.04	91.07	90.95	91.19
Sept	90.68	90.80	90.60	90.90
Dec	90.43	90.52	90.36	90.64

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	90.50	90.52	90.43	90.64
Sept	90.17	90.26	90.10	90.39
Dec	89.94	90.06	89.88	90.12
Feb	—	—	—	—
March	89.74	89.85	89.70	89.94

STERLING (IMM) $ per £

	Latest	High	Low	Prev
June	1.5590	1.5690	1.5510	1.5540
Sept	1.5550	1.5560	1.5480	1.5495
Dec	1.5525	1.5530	1.5435	1.5470
March	1.5465	1.5510	1.5465	1.5460
June	—	—	—	—
Sept	—	—	—	—

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	69-15	69-20	69-03	69-24
Sept	68-26	68-30	68-12	69-01
Dec	68-04	68-09	67-23	68-12
March	67-19	67-22	67-09	67-26
June	67-05	67-05	66-20	67-11
Sept	66-19	66-20	66-19	66-30
Dec	66-10	66-10	66-03	66-19
March	—	—	—	—
June	—	—	—	—
Sept	—	—	—	—
Dec	—	—	—	—

CONTRACTS AND TENDERS

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MONEY MARKETS

London rates firmer

UK clearing bank base lending rate 10 per cent (since April 15 and 19)

Interest rates had a slightly firmer tone on the London money market yesterday, although very short-term rates were slightly easier following the forecast of a modest day-to-day credit shortage, and the generous amount of help given by the Bank of England. A large rise in U.S. M1 money supply, after another sharp increase the previous week, created nervous conditions and pushed up longer term rates however, leading to an upward sloping yield curve. Three-month money rose to 10⅛-10¼ per cent from 10⅛-10⅛ per cent, and 12-month to 10⅛-10¼ per cent from 10⅛-10⅛ per cent.

The Bank of England forecast a shortage of £300m in the money market, but this was later revised to £350m. The authorities gave help of £401m by outright purchases of bills. Before lunch the Bank of England bought £283m bills, by way of £2m bank bills in band 1 (up to 14 days maturity) at 10⅛ per cent; £179m bank bills in band 2 (15-33 days) at 10 per cent; £83m bank bills in band 3 (34-63 days) at 9⅞ per cent; and £19m Treasury bills in band 4 (64-91 days) at 9⅞ per cent.

In the afternoon another £118m bank bills were purchased, when the authorities bought £41m bills in band 2 at 10 per cent; £4m bills in band 3 at 9⅞ per cent; and £73m bills in band 4 (64-84 days) at 9⅞ per cent.

In New York the Federal Reserve injected liquidity into the banking system through a customer repurchase agreement of $1bn when Federal funds were trading at 8⅞ per cent. Upward pressure on U.S. rates was also reflected in an increase in the prime rate and broker loan rate of two U.S. banks, although the prime rate increase only brought a fairly small bank back into line with the bigger banks.

LONDON MONEY RATES

May 23 1983	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills Φ	Eligible Bank Bills Φ	Fine Trade Bills Φ
Overnight......	—	8-10⅛	10⅛-10¼	—	—	8-10⅛	0-10¼	—	—	—
2 days notice .	—	—	10¼	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice ..	—	10⅛-10⅛	10¼	—	—	10¼-10⅛	10-10⅛	—	—	—
One month......	10⅛-10⅛	10⅛-10⅛	10¼	11-10⅝	10⅛	10⅛-10⅝	10-10⅛	10-10⅛	10⅛	10⅛
Two months ...	10⅛-10¼	10⅛-10⅛	10⅛	11-10⅝	10⅛	10⅝	9⅞-10	9⅞	9⅞	10⅛
Three months.	10⅛-10¼	10⅛-10⅛	10⅛	10⅛-10⅛	10⅛	10⅝	9⅞	9⅞-9⅞	9⅞	10⅛
Six months...	10⅛-10⅛	10⅛-10⅛	10⅛	10⅛-10⅛	10⅛	—	—	—	9⅞-9⅞	10⅛
Nine months...	10⅛-10⅛	10⅛-10⅛	10⅛	10⅛-10⅝	10⅛	—	—	—	—	—
One year........	10⅛-10⅛	10⅛-10⅝	10¼	10⅝-10⅝	10⅛	—	—	—	—	—
Two years....	—	—	10⅝	—	—	—	—	—	—	—

ECGD Rate Export Finance Scheme IV Average Rate for interest period April 6 to May 3 1983 (inclusive): 10.304 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 10⅝ per cent; four years 11 per cent; five years 11¼ per cent. ΦBank bill rates in table are buying rates for prime paper. Buying rates for four month bank bills 9⅞-10 per cent; four months trade bills 10⅝ per cent.

Approximate selling rate for one month Treasury bills 9⅞-10 per cent; two months 9⅞-9⅞ per cent; three months 9⅞-9⅞ per cent. Approximate selling rate for one month bank bills 10⅛ per cent; two months 9⅞ per cent and three months 9⅞ per cent; trade bills one month 10⅛ per cent; two months 10⅛ per cent and three months 10⅛ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 11 per cent from May 1 1983. London and Scottish Clearing Bank Rates for lending 10 per cent. London Deposit Rates for sums at seven days' notice 6¾ per cent.

Treasury Bills: Average tender rates of discount 9.9191 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held one month 10½ per cent; one-three months 10⅝ per cent; three-nine months 10⅝ per cent; six-12 months 10¾ per cent. Under £100,000 10 per cent from April 5. Deposits held under Series 3-5 10⅝ per cent. The rates for all deposits withdrawn for cash 9 per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES

(Market closing rates)

May 23	Short term	7 days notice	Month	Three Months	Six Months	One Year
Sterling........	10¼-10⅜	10¼-10⅜	10⅛-10⅛	10⅜-10½	10½-10⅛	10⅛-10⅛
U.S. Dollar...	8¾-9	8⅞-9	8⅞-9⅛	9⅛-9⅜	9⅛-9½	9⅛-9⅞
Can. Dollar...	10¼-11¼	9½-10¼	9⅜-9⅝	9⅞-9⅞	9⅞-9⅞	9⅝-9⅞
D. Guilder	5⅛-5⅜	5⅜-5⅝	5½-5⅝	5¾-5⅞	5⅞-6	5⅞-6⅛
S. Franc.......	4-4½	9¼-9⅞	4⅛-4⅞	4⅜-4⅞	4⅜-4⅞	4⅜-4⅞
Deutschm'rk	4⅝-4¾	4⅞-4⅞	4⅞-5	5-5⅛	5⅛-5⅛	5⅛-5⅜
Fr'nch Franc	12¼-12¾	12¼-12¾	12¼-12¾	13⅝-13⅞	15-16⅛	17¼-17¾
Italian Lira .	14-15½	14-15⅝	14½-18⅛	18½-18⅞	12¾-17¼	18-12⅞
Belg. Franc..						
Conv..........	9¼-0¾	9⅛-10	9¾-10¼	10-10⅛	10¼-10⅛	10½-11
Fin............	9⅛-10	9¾-10	9⅛-10⅛	10-10¼	10⅛-10⅝	10¼-10½
Yen	0⅞-0¾	6¼-0⅜	0⅞-6⅜	6⅜-6⅞	6⅜-0⅞	0⅞-6⅞
D. Krone......	4½-5	5⅜-6¼	2¼-5⅜	9¼-9⅜	10½-11	11-11½
Asia $ (Sing.)	8⅞-9⅛	8⅞-9⅛	9⅛-9⅛	9⅛-9⅜	9⅜-9½	9½-9⅝

FT LONDON INTERBANK FIXING

11.00 a.m. MAY 23

3 month U.S. dollars		6 months U.S. dollars	
bid 9 5/16	offer 9 5/16	bid 9 9/16	offer 9 7/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Prime rate	10½
Fed funds (lunch-time)	8⅝-8⅞
Treasury bills (13-week)	8.44
Treasury bills (26-week)	8.46

GERMANY

Lombard	5.0
Overnight rate	5.025
One month	5.25
Three months	5.30
Six months	5.35

FRANCE

Intervention rate	12.5
Overnight rate	12.5
One month	12.5
Three months	12.5
Six months	12.625

JAPAN

Discount rate	5.5
Call (unconditional) ...	5.96875
Bill discount (3-month)	9.59375

SWITZERLAND

Discount rate	4
Overnight rate	2-3
One month	4⅝-4¾
Three months	4⅝-4¾

NETHERLANDS

Discount rate	4½
Overnight rate	5⅛-5½
One month	5⅜-5⅝
Three months	5½-5⅞
Six months	5⅞-6⅛

$ CERTIFICATES OF DEPOSIT

One month	8.90-9.00
Three months	8.90-9.00
Six months	9.15-9.25
One year	9.25-9.45

LONG TERM EURO $

Two years	10-10⅛
Three years	10⅝-10⅞
Four years	11-11⅛
Five years	11⅛-11½

SDR LINKED DEPOSITS

One month	8⅝-8⅞
Three months	8⅞-9⅛
Six months	8⅞-9⅛
One year	9⅛-9⅝

ECU LINKED DEPOSITS

One month	8⅞-8⅞
Three months	8⅞-9
Six months	8⅞-9⅛
One year	9⅝-10⅛

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on May 23 1983. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied. Abbreviation: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

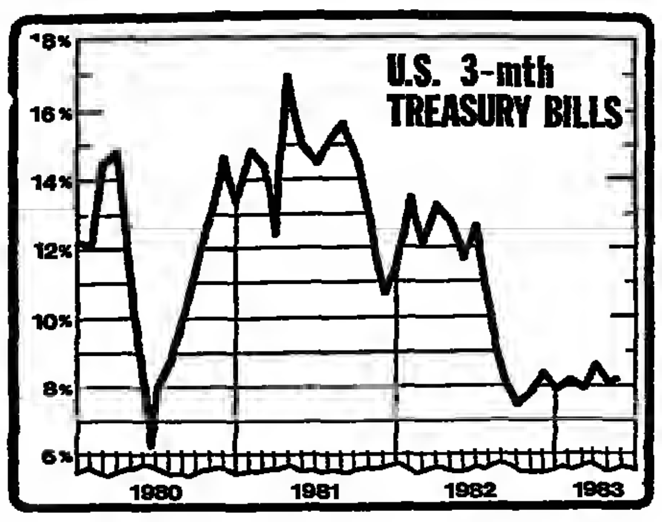
PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.05
Algeria	Dinar	(A) 7.3410
Andorra	French Franc / Spanish Peseta	11.625 / 216.10
Angola	Kwanza	(CM) 46.684
Antigua (B)	E. Caribbean $	4.20
Argentina	Ar. Peso	125,077
Australia (B)	Australian $	1.7650
Austria	Schilling	27.245
Azores	Portug'se Escudo	155.0
Bahamas	Ba. Dollar	1.5560
Bahrain	Dinar	0.5865
Balearic Isles	Spa. Peseta	216.10
Bangladesh	Taka	37.85
Barbados	Barbados $	3.1120
Belgium	B. Franc	(cm) 77.15 / (fn) 77.55
Belize	B $	3.1120
Benin	C.F.A. Franc	581.25
Bermuda	Bda $	1.5560
Bhutan	Indian Rupee	15.55
Bolivia	Bolivian Peso	[illegible]
Botswana	Pula	1.6550
Brazil	Cruzeiro	755.35
Brit. Virgin Isles	U.S. $	1.5560
Brunei	Brunei $	3.2470
Bulgaria	Lev	1.4845
Burma	Kyat	12.0455
Burundi	Burundi Franc	140.735
Cameroon Republic	C.F.A. Franc	581.25
Canada	Canadian $	1.9200
Canary Islands	Spanish Peseta	216.10
Cape Verde Isle	Cape V. Escudo	108.25
Cayman Islands	Cay. Is. $	1.2965
Cent. Afr. Republic	C.F.A. Franc	581.25
Chad	C.F.A. Franc	581.25
Chile	Chilean Peso	[illegible]
China	Renminbi Yuan	3.0984
Colombia	Col. Peso	[illegible]
Comoro Islands	C.F.A. Franc	581.25
Congo (Brazzaville)	C.F.A. Franc	581.25
Costa Rica	Colon	[illegible]
Cuba	Cuban Peso	1.3380
Cyprus	Cyprus £	0.7880
Czechoslovakia	Koruna	[illegible]
Denmark	Danish Krone	13.705
Djibouti	Fr.	270
Dominica	E. Caribbean $	4.20
Dominican Repub.	Dominican Peso	1.5560
Ecuador	Sucre	(O) 67.66 / (F) 129.19
Egypt	Egyptian £	[illegible]
Equatorial Guinea	Ekuele	439.2
Ethiopia	Ethiopian Birr	(P) 3.1800
Falkland Islands	Falkland Is £	1.0
Faroe Islands	Danish Kroner	13.795
Fiji Islands	Fiji $	1.5757
Finland	Markka	8.5125
France	French Franc	11.625
French City in Af	C.F.A. Franc	581.25
French Guiana	Local Franc	11.625
French Pacific Is.	C.F.P. Franc	[illegible]
Gabon	C.F.A. Franc	581.25
Gambia	Dalasi	4.00
Germany (East)	Ostmark	3.87
Germany (West)	Deutsche Mark	3.87
Ghana	Cedi	4.28
Gibraltar	Gibraltar £	1.0
Greece	Drachma	130.1665
Greenland	Danish Kroner	13.780
Grenada	E. Caribbean $	4.20
Guadeloupe	Local Franc	11.625
Guam	U.S. $	1.5560
Guatemala	Quetzal	1.5560
Guinea Republic	Sylli	33.53
Guinea Bissau	Peso	83.00
Guyana	Guyanese $	4.6610
Haiti	Gourde	7.7600
Honduras Repub.	Lempira	3.1941
Hong Kong	H.K. $	10.91
Hungary	Forint	[illegible]
Iceland	I. Krona	35.36
India	Ind. Rupee	15.55
Indonesia	Rupiah	1,503.80
Iran	Rial	[illegible]
Iraq	Iraq Dinar	0.4837
Irish Republic	Irish £	1.2240
Israel	Shekel	[illegible]
Italy	Lira	[illegible]
Ivory Coast	C.F.A. Franc	581.25
Jamaica	Jamaica Dollar	[illegible]
Japan	Yen	367.0
Jordan	Jordan Dinar	0.555
Kampuchea	Riel	1,667.2
Kenya	Kenya Shilling	20.07
Kiribati	Australian $	1.7650
Korea (Nth)	Won	[illegible]
Korea (Sth)	Won	[illegible]
Kuwait	Kuwait Dinar	0.4500
Laos	Kip	15.56
Lebanon	Lebanese £	[illegible]
Lesotho	Maluti	1.6835
Liberia	Liberian $	1.5560
Libya	Libyan Dinar	0.4606
Liechtenstein	Swiss Franc	3.24
Luxembourg	Lux Franc	77.15
Macao	Pataca	11.25
Madeira	Portug'se Escudo	155.0
Malagasy Republic	MG Franc	[illegible]
Malawi	Kwacha	1.7450
Malaysia	Ringgit	[illegible]
Maldive Islands	Rufiyaa	11.75
Mali Republic	Mali Franc	1,162.5
Malta	Maltese £	0.661
Martinique	Local Franc	11.625
Mauritania	Ouguiya	[illegible]
Mauritius	M. Rupee	[illegible]
Mexico	Mexican Peso	[illegible]
Miquelon	Local Franc	11.625
Monaco	French Franc	11.625
Mongolia	Tugrik	[illegible]
Montserrat	E. Caribbean $	4.20
Morocco	Dirham	[illegible]
Mozambique	Metical	N/A
Namibia	S.A. Rand	[illegible]
Nauru	Australian Dollar	1.7650
Nepal	Nepalese Rupee	22.20
Netherlands	Guilder	4.3525
Netherland Antilles	Antillian Guilder	2.7852
New Zealand	N.Z. Dollar	2.3545
Nicaragua	Cordoba	15.25
Niger Republic	C.F.A. Franc	581.25
Nigeria	Naira	[illegible]
Norway	Norway Krone	11.125
Oman Sul'ate of	Rial Omani	[illegible]
Pakistan	Pakistan Rupee	19.70
Panama	Balboa	1.5560
Papua N. Guinea	Kina	1.1185
Paraguay	Guarani	[illegible]
Peru	Sol	[illegible]
Philippines	Philippine Peso	[illegible]
Pitcairn Islands	£ Sterling / New Zealand $	1.0 / 2.3545
Poland	Zloty	155.05
Portugal	Portugu'se Escudo	155.0
Puerto Rico	U.S. $	1.5560
Qatar	Qatar Ryal	5.66
Reunion Ile de la	French Franc	11.625
Romania	Leu	[illegible]
Rwanda	Rwanda Franc	148.50
St. Christopher	E. Caribbean $	4.20
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	4.20
St. Pierre	Local Franc	11.625
St. Vincent	E. Caribbean $	4.20
Salvador El	Colon	3.89
Samoa American	U.S. $	1.5560
San Marino	Italian Lira	[illegible]
Sao Tome & Prin	Dobra	59.00
Saudi Arabia	Riyal	[illegible]
Senegal	C.F.A. Franc	581.25
Seychelles	S. Rupee	[illegible]
Sierra Leone	Leone	[illegible]
Singapore	Singapore $	3.2475
Solomon Islands	Solomon Is. $	[illegible]
Somali Republic	Somali Shilling	23.55
South Africa	Rand	1.6835
Spain	Peseta	216.10
Spanish ports in North Africa	Peseta	216.10
Sri Lanka	S. Rupee	[illegible]
Sudan Republic	Sudan £	[illegible]
Surinam	S. Guilder	2.7852
Swaziland	Lilangeni	1.6835
Sweden	S. Krona	11.685
Switzerland	Swiss Franc	3.24
Syria	Syria £	[illegible]
Taiwan	New Taiwan $	[illegible]
Tanzania	Tan. Shilling	[illegible]
Thailand	Baht	[illegible]
Togo Republic	C.F.A. Franc	581.25
Tonga Islands	Pa'anga	1.7650
Trinidad	Trinidad & Tob. $	3.7346
Tunisia	Tunisian Dinar	[illegible]
Turkey	Turkish Lira	328.14
Turks & Caicos	U.S. $	1.5560
Tuvalu	Australian $	1.7650
Uganda	Uganda Shilling	[illegible]
United States	U.S. Dollar	1.5560
Uruguay	Uruguay Peso	[illegible]
Utd. Arab Emirates	U.A.E. Dirham	5.7140
U.S.S.R.	Rouble	1.1359
Upper Volta	C.F.A. Franc	581.25
Vanuatu	Vatu	[illegible]
Vatican	Italian Lira	[illegible]
Venezuela	Bolivar	[illegible]
Vietnam	Dong	[illegible]
Virgin Islands U.S.	U.S. Dollar	1.5560
Western Samoa	Samoan Tala	[illegible]
Yemen (Nth)	Ryal	[illegible]
Yemen (Sth)	S. Yemen Dinar	[illegible]
Yugoslavia	New Y Dinar	[illegible]
Zaire Republic	Zaire	[illegible]
Zambia	Kwacha	1.8360
Zimbabwe	Zimbabwe $	1.51

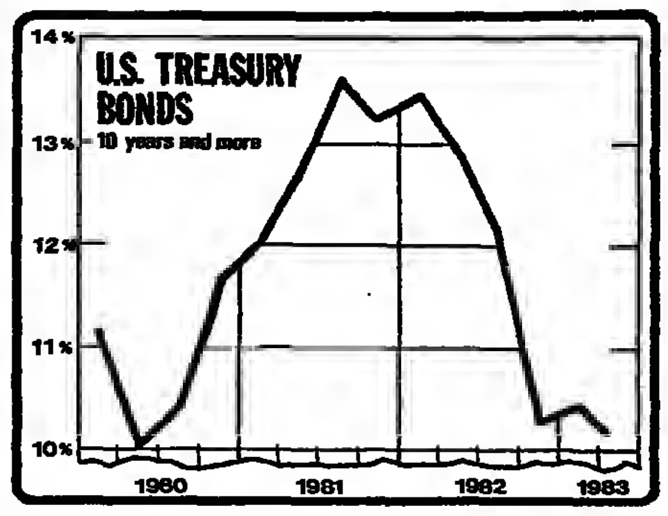
* That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupee per pound. ** Rate is the transfer market (controlled). †† Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. ‡ Based on gross rates against Russian rouble. (1) Essential goods. (2) Controlled rate for priority imports such as foodstuffs. (3) Non-essential imports and private sector applicants. (4) Preferential rate for public sector debt and essential imports. (5) Government controlled for non-essential imports. (6) Free rate for luxury imports, remittances of money abroad and foreign travel.

FINANCIAL TIMES SURVEY

United States
FINANCE AND INVESTMENT

Conflicting indicators in the American economy form the background to significant structural changes in the financial sector. The latter are expected to be a key feature of the business scene for some time to come, with domestic and international implications





Blend of promise and uncertainty

BY RICHARD LAMBERT in New York

FOR INVESTORS in the U.S. the present financial scene offers a blend of short-term promise and longer term uncertainty. The bull market on Wall Street, which has boosted share prices by 50 per cent and more over the past nine months, gives a dramatic illustration of the business recovery which is now spreading its way through the corporate sector.

But Wall Street also gives a clear signal of the continuing unease in investors' minds. The yield on long-term Treasury bonds is still over 10 per cent, which at a time when the annual rate of inflation has fallen to below 5 per cent means that the real cost of long-term money remains a great deal higher than at any time in the past 10 years.

Put another way, the surge in share prices has taken the yield on the Standard and Poor's 500 index down to under 4½ per cent. The last time dividend returns were that low was in the second quarter of 1977, when Treasury bonds were yielding only around 6 per cent.

The strength in share prices stems first from the economic recovery which at last appears to be getting up a little steam. The U.S. economy grew at a very modest rate in the first quarter of this year—and that largely thanks to a slowdown in the rate of inventory liquidation from a record $20bn in the final quarter of 1982 to around $12bn in the first three months of this year.

After some hesitation consumers seem to be dipping deeper into their pockets to fuel the next stage of the upturn. The Business Council, a group of chief executives from America's top companies, forecast earlier this month that Gross National Product would rise this year by 2.6 per cent and by 4.6 per cent in 1984.

Slower pace

On this basis the pace of recovery is likely to be much slower than in past cycles but that in turn means there should be little threat of any economic overheating for some time to come.

Corporate profits, which have fallen steeply in real terms since the end of 1979, are now on the mend. The Business Council thinks they will rise by 20 per cent in 1983 and by 22 per cent in 1984. In addition, companies have been able to seize the opportunity presented by the bull market to put some badly needed new muscle into their balance sheets.

In tho first four months of this year the market absorbed no less than $18.1bn of corporate convertible and common stock issues, up from only $4.1bn in the corresponding period of 1982. Companies were also able to improve the profile of their borrowings. Corporate public debt offerings rose from $6.7bn to $15.1bn over the same period.

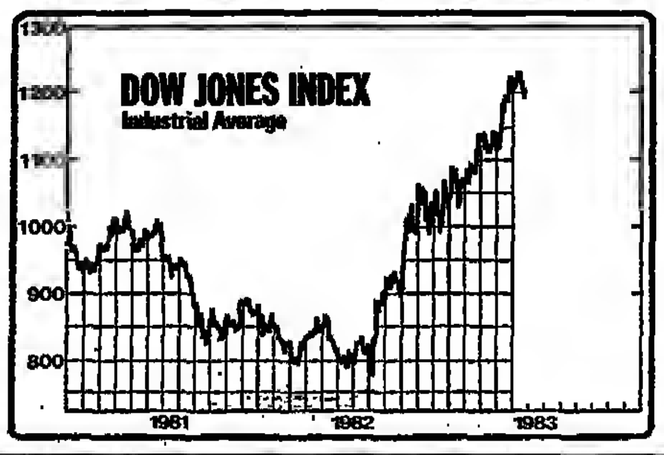
With no sign of any sharp upturn in the rate of inflation in the offing, some industrialists are even beginning to talk about a return to a golden age which had seemed to have disappeared forever. In a recent Harris poll of the senior executives in America's largest companies, 61 per cent said they thought the American economy was entering a period of sustained long-term growth. Only 28 per cent thought they were in for just another short-term pick up, to be followed all too soon by a further setback

Like these captains of industry, portfolio investors are also coming around to the view that this could be more than just a cyclical upturn. The fashionable story on Wall Street lately has been that after a period in which it made sense to invest in property, art works, precious metals—or almost any tangible asset that stood a chance of retaining its real value in a time of rapid inflation—the time has come to hold income-producing financial assets. If you believe that, you can also believe that share prices still have a lot higher to climb after their very poor performance during the 1970s.

But all this optimism cannot hide the shadow being cast by the bond market. The most convincing explanation for the stubborn refusal of long-term bond rates to fall much lower is to be found in the level of present and future Federal budget deficits which as a proportion of nominal Gross National Product remain higher than at any time since World War II.

According to a recent projection by Merrill Lynch, the Federal deficit will soak up around 35 per cent of gross private savings in the U.S. during fiscal 1983. In 1984 this proportion could fall to around 30 per cent—which would still be about three-fifths higher than at the comparable stage of the last economic cycle.

This heavy pressure of Government borrowing has major implications for both direct and portfolio investors in the U.S. It places a heavy measure of responsibility for the management of the economy on the Federal Reserve Board—which helps to explain the current preoccupation with the question of whether Mr Paul Volcker will be asked to stay on as chairman when his term ends this summer. It also explains why most forecasters are now projecting only a modest fall in interest rates at both the short and long end of the markets.



Budget threat

The Business Council, for instance, thinks that the prime rate will still be around 10 per cent at the end of this year and could be rather higher than that by the end of 1984.

In limiting the scope for a sustained fall in interest rates the heavy budget deficits present the threat that the pace of economic recovery could be snuffed out prematurely. The adjective most frequently used to describe the upturn to date is "fragile" and most industrialists believe that it will not become more robust unless interest rates fall further.

Apart from crimping the level of domestic demand, high interest rates are also helping to make the $ look very overvalued by most yardsticks on the currency markets. Many analysts have long been projecting a steep fall in the dollar exchange rate but with real interest rates of over 5 per cent in the U.S.—compared with around 2 per cent in West Germany and under 4 per cent in Japan—the currency has remained stubbornly firm.

This in turn is having an increasingly adverse impact on U.S. foreign trade. A trade surplus of over $50bn on non-oil goods in 1980 has plunged to a position of near-balance so far this year and the position is likely to deteriorate further as the U.S. economy expands. This setback in the trade account is acting as a serious constraint on the nation's performance.

For the foreign portfolio investor high U.S. interest rates have proved a powerful magnet during a period when the international financial markets have been unsettled. Foreign holdings of U.S. Treasury bills climbed by $17.3bn to over $83bn in 1982 and, although the force of Arab buying is not what it was, international funds have continued to flood into the equity market.

Structural changes in Wall Street and elsewhere are making capital markets much more international than they ever used to be. Over half the total U.S. dollar financings in the first four months of 1982 was raised in the Euromarkets and although this proportion has fallen sharply so far in 1983 as a result of the strength of the domestic markets, Eurodollar financings still amounted to a substantial $12bn or so.

This explains why a number of Wall Street investment banks are determined to expand their international activities — and why securities firms and investment managers from Europe and Japan have been aggressively buying their way into the financial services sector in New York and the other big U.S. money centres.

The pace of direct foreign investment in the U.S. has slackened in the past year or so, mainly because of the strength of the dollar and the uncertain state of the international economy. However, the merger and acquisitions specialists say that there are still plenty of foreigners waiting in the wings. The area in which they are most frequently reported to be interested is the financial services sector.

The reason is that the accelerating pace of change in the U.S. financial system—the result of technological as well as market forces—is presenting major business opportunities, and hazards. In banking, insurance and stockbroking, institutions with high costs or fixed returns inherited from investment decisions made in less competitive times are now finding themselves under attack from new market interests. Business sectors which have been dominated for years by large and long-established companies suddenly appear to be up for grabs. The reshaping of the U.S. financial services sector is going to remain a key feature of the U.S. business scene for some time to come.

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Relief as interest rates stabilise

FOR THE past three years investors throughout the world have been preoccupied to the point of obsession with a single question—what happens next to U.S. interest rates? More than just the performance of the U.S. investment markets has seemed to hinge almost entirely on the answer to this question.

The stability of the international banking system has been directly imperilled by the Third World's inability to service its debts. As interest rates rose and then stayed much higher than the rates at which commodity prices were rising, many developing countries which had relied on inflation and the growth of exports to pay off their debts found instead that their obligations to the banks were compounding out of control.

Indirectly, U.S. interest rates have hit the world economy even harder by boosting the value of the dollar well above what most economists and foreign governments have regarded as an acceptable equilibrium level. By pushing other industrialised countries into a round of competitive monetary squeezes designed to protect their currencies, the soaring dollar has helped to trap the world in its longest recession since the 1930s.

In the U.S. itself bond yields of over 15 per cent and short-term interest rates of over 20 per cent between late 1979 and 1982 flattened the domestic economy through their effects on capital investment and consumer spending. Life became even more miserable in the stock and bond markets because of the unprecedented fluctuations in short-term interest rates which had, until October 1979, been constrained by the Federal Reserve Board to move within prescribed limits.

Much as currency speculators shifted their attention from trade balances to the interest differentials between the U.S. and other countries, domestic investors were forced to focus increasingly on changes in the carrying costs of their portfolios rather than on the fundamental factors affecting bond and stock performance. For most of last year the bond markets seemed more concerned about the latest blip in the money supply figures or the latest rumour about the Federal Reserve's short-term policy targets than about trends in the underlying rate of inflation.

Until last July the stock market took its cues almost entirely from bonds. If bond prices rose the favourable effects of lower interest rates on economic activity and corporate earnings were invoked to justify higher stock prices. But the market was decidedly bearish in response to signs of any economic recovery unrelated to falling interest rates—as a result of lower taxes, for example.

Then, in July everything suddenly changed — for currency, bond and stock markets alike. Within two months the Federal funds rate plunged from over 14 per cent to less than 9 per cent. The yield on three-month Treasury bills fell from 12.8 per cent at the beginning of July to 7.4 per cent at the end of August, while long bond yields declined from over 14 to around 12 per cent.

This sudden — and largely unpredicted — collapse of interest rates was sufficient to spark off a record-breaking rally in Wall Street share prices. Its real significance, however, could only emerge in retrospect.

Now, nearly a year later, it is becoming clear that last summer's bonanza was more than just another dip on the U.S. interest rate roller-coaster, to be followed by an even more dizzying reversal. Rather it seems that the fall in U.S. interest rates which began in July marked a major transition in Federal Reserve policy from the almost exclusive preoccupation with monetary targeting introduced in October 1979 towards a compromise approach designed to temper technical monetarism with some of the concern with interest rate stability characteristic of Fed policy before 1979.

Of course, with the reticence characteristic of central bankers Fed officials have publicly denied that any fundamental change in operating policy has taken place. Monetary targets have been downgraded temporarily in importance, according to Mr Paul Volcker, the Fed chairman, because of temporary distortions caused by changes in bank regulation and erratic movements in money demand. But the theoretical commitment to the principle of targeting money growth rather than interest rates remains, Mr Volcker has repeatedly maintained.

> '. . . markets are gradually becoming convinced that the sort of interest rate gyrations they suffered between 1979 and 1982 may be gone for good.'

Despite these disclaimers, after nearly nine months in which the Fed funds rate, the market interest rate which is most closely under the Fed's control, has never moved outside a band between 8 and 9.5 per cent for more than a few days, the markets are gradually becoming convinced that the sort of interest rate gyrations they suffered between 1979 and 1982 may be gone for good.

Obviously there are far-reaching consequences for the markets from what the leading Wall Street consultants, Griggs and Santow, describe as the Fed's "middle course" since the autumn of last year. The new policy, characterised by the use of Fed funds as "a guideline" although not, as in the days before October 1979, as "a target," has reduced average weekly deviations in short-term interest rates by two thirds relative to the 1979-81 period. (Nevertheless interest rates remain nearly twice as variable as they were before October 1979.)

If interest rates remain far less volatile than in the recent past, some of the assumptions which have come to dominate financial markets in the U.S. and abroad since 1979 have to be re-examined. In particular, the fear that interest rates will head upwards the moment they stop heading down has become less widespread among investors as the period of stability has lengthened.

The biggest test of the markets' nerve came just before Christmas, when a dramatic cut in the Fed's discount rate from 9 to 8.5 per cent failed to precipitate a corresponding reduction in market-determined rates. For two months the markets struggled against warnings that the interest rate cycle had "bottomed out" and that higher rates would soon follow.

Long bond yields, which had continued to decline for nearly three months even after short rates stabilised in late September, edged up again above 11 per cent in mid-February as concern mounted that no further cuts in the discount rate could be expected while distorted money supply figures soared out of control.

Meanwhile the dollar, which had begun to weaken significantly in early November—to the almost universal relief of politicians and businessmen both in the U.S. and abroad—rebounded sharply around the turn of the year.

Against the yen, for instance, the dollar fell by 15 per cent between October and December 1982, after the Euromarket interest differential in the dollar's favour narrowed from 8 per cent in June to 3 per cent in November. But the dollar then rose again by over 5 per cent in January as fears spread that the trend in U.S. rates could be reversed.

As these fears—built on the failure of the Fed's discount rate move in December, on the continuing distortions in the weekly and monthly money supply figures and on the Fed's general obfuscation of its operating objectives and methods—have failed to be realised a new robustness has entered both the bond and currency markets.

Despite bad news on budget deficits and signs of a stronger than expected recovery in the real economy, the bond market has retained a degree of resilience. The currencies have recently begun to recover against the dollar once again, after the uncertainty surrounding the European Monetary System's realignment.

The market's ability gradually to put the nightmare of soaring interest rates behind it was symbolised recently by a statement from Dr Henry Kaufman, the influential Salomon Brothers economist. "Nearly all of the decline in interest rates is behind for the time being," he said, but added that there would be "no dramatic increases" in interest rates either and that bonds will trade "within a relatively narrow range."

That may not be much consolation to Third World debtors, to industrial and mortgage borrowers pre-tax facing real interest rates of 7 per cent or more, or to U.S. exporters trying to sell their goods against Japanese and German competitors whose currencies have fallen against the dollar since 1980 by up to 40 per cent in real terms. Nor does it mean that a continuing deadlock on the budget between the Congress and the Reagan Administration would be completely forgiven by the markets.

But the recent stability in monetary policy, combined with the overwhelming political pressure against an increase in interest rates before the Presidential election in 1984, does suggest that U.S. interest rates may become less of an obstacle to the world's economic progress in the year ahead.

Anatole Kaletsky

FOREIGN INVESTMENT: On this and Page IV

Barry Riley reviews direct and portfolio investment from foreign countries

SELECTION OF FOREIGN TAKEOVERS OF US COMPANIES—1982-83

TARGET	BIDDER	COUNTRY	PRICE	DATE
American Banker	Intnl. Thomson Organisation	Canada	\$58m†	February '83
Apico Auto Auctions	British Car Auctions	UK	\$6.5m	December '82
Automation Service Equipment	Glynwed International	UK	\$10m	July '82
Bache Insurance Services	Jardine Matheson	Hong Kong	\$30m	March '82
Boston Industries	Redland	UK	£70.4m	December '82
Cedar Point	S. Pearson and Son	UK	\$144m	March '83
Compugraphic	Agfa-Gevaert	W. Germany	n.a.	February '82
Consd. Biomedical Laboratories	Hoffman-La Roche	Switzerland	n.a.	August '82
Cornelius Co. of Minneapolis	IMI	UK	\$32.5m	March '82
Crowley Foods	Wessanen	Netherlands	n.a.	September '82
DAP	Beecham	UK	\$70m	January '83
Duffy Mott	Cadbury Schweppes	UK	£41m	February '83
Fiske Electric	William Press	UK	£17.7m†	August '82
Fleischmann Distilling	Whitbread	UK	£155m†	October '82
Gould (division)	Siemens	W. Germany	n.a.	February '83
Harris Manufacturing	Swedish Match	Sweden	n.a.	December '82
Walter Heller (subsidiary)	Fuji Bank	Japan	\$425m	March '83
Jeweller's Protection Services	Security Centres Holdings	UK	£17.2m	February '83
Kallestad Laboratories	Montedison	Italy	n.a.	June '82
Keystone Foods	Northern Foods	UK	£37m	January '82
Kurt Orban	Deutsche Babcock	W. Germany	n.a.	February '82
Ledex	Lucas	UK	£12m	May '82
Means Services	Sketchley	UK	\$40.6m	February '82
Mesa Technology	Electrocomponents	UK	\$10.5m†	August '82
New Company	Inco (batteries division)*	Canada	£132m	February '83
Norton*	Siebe Gorman Holdings	UK	\$50m	December '82
Rentex Services	Sketchley	UK	\$13m	February '82
Scotts Branch Coal Mine	Holland Carbon Fuels	Netherlands	\$30m	June '82
Sodyeco	Sandoz	Switzerland	n.a.	January '83
Sun Resorts	Southern Sun	S. Africa	\$50m	March '83
Tri-American	Guardian Royal Exch. Assce.	UK	\$11m	October '82
Utah International	Broken Hill Proprietary	Australia	\$2.4bn	January '83
Westmoreland Coal	VEBA	W. Germany	\$82.5m	June '82
Wharton Econometric	CISI	France	n.a.	March '83
White Consolidated Industries	Spirax-Sarco Engineering	UK	\$20m	March '83
Julius Wile	Whitbread	UK	£56.6m	October '82
Wilputte	Krupp Wilputte	W. Germany	n.a.	February '82
Zoecon	Sandoz	Switzerland	n.a.	January '83

* Subsidiary of company being sold or selling off part of organisation.
† The price is total for more than one acquisition.

Source: The FT Mergers and Acquisitions Publication.

Signs point to renewed takeover activity

ALTHOUGH THE foreign takeover boom in the U.S. peaked back in the late 1970s and has since gone into a fairly sharp decline, leading American investment bankers are optimistic that the rate of activity will pick up again in the coming months.

Continuing interest by foreign companies in building up their U.S. activities has been demonstrated by several sizeable deals in recent weeks. Fuji Bank of Japan, for instance, has agreed the \$425m takover of two commercial finance subsidiaries of Walter E. Heller, a banking and financial services group that was almost bought by Midland Bank a few years ago. The British confectionery group Rowntree Mackintosh is paying some \$215m to General Mills for a snack foods operation, Tom's Foods.

According to Mr Geoffrey T. Boisi, head of the mergers and acquisitions team at investment bankers Goldman Sachs, activity has already been picking up in the past six to nine months, at any rate behind the scenes.

"We're as active as we have ever been in the international M and A market," he says, suggesting that there has been a build-up in the availability of cash to international companies. "I would expect to see much more activity over the next year."

Mr Bruce Wasserstein, of First Boston, who has been prominent in several big domestic U.S. deals in recent months, is also keeping a close eye on the international market. He was in London a few weeks ago and was surprised at the high attendance rate of senior British executives invited to a promotional seminar.

He is not so confident that takeover activity will rise during the next six months but he sees it building up after that. "UK interest hasn't dropped off as much as the rest of Europe," he notes. Switzerland is a possible exception but "the lights in France went out."

At Morgan Stanley Mr Joseph Fogg, the mergers and acquisitions chief, remembers that at the peak period in the late 1970s international activity accounted for between a quarter and a third of the firm's M and A business.

Likely sources

"We see signs of its reappearance," he says, picking out the UK, Sweden, W. Germany and Switzerland as the likely sources of growth.

He also regards the Fuji Bank deal as something of a pacesetter. In the past the Japanese have been reluctant bidders and although deals have been mooted very few have actually come to fruition.

Japanese manufacturing companies have the option, which they usually prefer, of setting up greenfield operations but banks and insurance companies are forced to buy their way in.

Mr Fogg suggests that other Japanese financial institutions will be considering their position. "If one or two deals are done successfully, then at that point there will be quite a lot of interest," he predicts.

Historically, the biggest source of foreign direct investment in the U.S. has been the UK, followed by Canada. On some definitions the Netherlands has also been very important but very much because of the activities of three giant companies—Royal Dutch/Shell, Unilever and Philips—two of which are partly British-owned.

Switzerland and W. Germany come next, followed by France and Japan. Smaller countries to make an occasional impact on the corporate scene are Sweden, Belgium, Australia, South Africa and Hong Kong. The Latin Americans and the countries of the Middle East generally confine themselves to property or portfolio investment, though the Kuwaiti takeover of Santa Fe International, an oil services group, was an interesting exception.

Bitten hand

A number of factors have contributed to the slowdown in foreign takeovers of American companies in the past few years. The experiences of many bidders have been unhappy, partly because they found it difficult to adapt to the American environment and partly because in many sectors the recession has bitten very hard. The recession has hit Europe, too, forcing many potential bidders to concentrate on problems closer to home.

Financial factors have also been important. At one stage the dollar was weak and American share prices were low. Then the dollar strengthened and sharply higher interest rates made dollar financing look very expensive.

More recently equity ratings in the U.S. have been rising rapidly, which has tended to put foreign bidders—who are usually confined to cash terms—at something of a disadvantage compared to U.S. buyers whose own paper has also become more valuable.

However, the strategic reasons for foreign bids remain mostly valid. Large European companies are looking for geographical diversification and notably for direct access to the world's largest single market. Exposure to high technology is often a motivation. Some foreigners, notably the Japanese, are looking for ways round trade restrictions.

Often, too, American companies are quite keen to sell to foreign rather than domestic buyers. There are likely to be fewer anti-trust complications and no company likes to get involved in talks which involve giving away confidential information to domestic competitors. Foreign buyers are also less inhibited by technical problems such as the accounting requirement for American companies to amortise goodwill.

Such factors are especially important in cases of divestment of operating divisions by large, over-leveraged U.S. corporations—a method of raising finance for the parent which has become increasingly common.

Some investment bankers also point to the way that U.S. managements feel safer under absentee foreign ownership, although this may be changing as foreign companies become tougher and more used to American conditions.

Recently the mergers and acquisitions scene in the U.S. has become noticeably more competitive, which has added to the difficulties of overseas buyers as lead times have significantly shortened.

Mr Fogg suggests that this is less a problem for British companies than for potential bidders in countries like West Germany, where approval has to be obtained from slow-moving supervisory boards. "Generally speaking, UK companies are structured to make such decisions fast," he says. Mr Wasserstein thinks that the Swiss, too, can sometimes respond successfully to a more opportunist environment.

One good reason for thinking that the international takeover scene will become more active in the U.S. is that the big investment banks are all placing more emphasis on their worldwide activities. In fact Goldman Sachs has even become involved on behalf of British clients in two big London takeover battles, the General Felt offer for Sotheby's and the BTR bid for Thomas Tilling.

"We view the international market as very attractive," says Mr Boisi. Three of his New York merger specialists spend the bulk of their time on international business, in addition to personnel stationed in overseas offices.

Global market

First Boston's overseas marketing push is being directed towards West Germany as well as the UK. "We can serve our U.S. clients much better by keeping a cross-national perspective," says Mr Wasserstein. "It has become a global market place."

Mr Fogg aims to build up long-lasting relationships with overseas client companies. "If we come across opportunities we will let them know," he says. Partly through Morgan Stanley's London office the firm maintains what he describes as "an active calling activity."

Agreed takeovers are the aim. "By and large, most European companies are pretty reluctant to consider aggressive takeover tactics," he observes. But in any case the balance in contested U.S. takeovers has tended to shift towards the target. "Aggressive bidders rarely win nowadays."

But there is more than a touch of aggression about the leading New York investment banks. According to one American investment banker, the traditional way of cementing a relationship with a prospective client in Germany was to go out together on a boar hunt. The Americans have a much more direct approach.

Shift in portfolio pattern

FALLING interest rates and a depressed U.S. economy led to a shift in the pattern of foreign portfolio investment in the U.S. last year. According to U.S. Treasury figures, net foreign purchases of Treasury notes and bonds rosa from $15bn in 1981 to $17.3bn in 1982. But purchases of equities tumbled from $5.8bn to $3.9bn. By the final quarter, however, the revival in the equity market was beginning to shift the pattern back again.

General perception overseas that tha dollar has been overvalued has tended to inhibit much foreign investment in dollar securities in the past year or so. Political and economic uncertainties have worked the other way, however. The "flight into quality" has encouraged overseas investors.

According to the Securities Industry Association of New York, foreign holdings of U.S. Treasuries totalled around $83bn by the end of 1982. These holdings are often substantially affected by the activities of overseas governments in the foreign exchange markets against the dollar but the amount of intervention may well have lessened in the past year or two, in line with U.S. policy.

The Middle Eastern oil exporting countries have become very big purchasers of U.S. Treasury securities since the mid-1970s, although countries like Saudi Arabia are not isolated in the official U.S. statistics.

Arab investors, however, are presumably responsible for the great bulk of the total $35bn holdings of Treasuries attributed to Asian holders other than Japan at the end of 1982. They continued to be net purchasers during the year but at a rate which fell from over $11bn in 1981 to some $7.5bn, a declina which would fit in with their well-known balance of payments deterioration following declines in the price of oil.

The slackening of Middle Eastern buying was more than offset, however, by an increase in European purchases. The big feature here was the jump in West German net buying from $1.1bn to $5.3bn, which could have reflected economic and political nervousness in Germany.

Other changes in the European picture were comparatively minor. Swiss buying increased, but only to a net level of near $0.7bn, while the UK continued to be a net seller, though on a smaller scale than in 1981.

In equities—where total overseas holdings are probably also of the order of $80bn—the UK was a far more important factor. Indeed British net purchases of U.S. equities are estimated to have climbed from $2.2bn in 1981 to just over $3bn in 1982. Not only was this against the trend but it meant that UK investors accounted for something like 80 per cent of all foreign net buying of U.S. common stocks last year.

Continued trend

This large-scala activity by British investors continues a trend that has persisted since foreign exchange controls were lifted by the UK Government in the latter part of 1979. Since then British institutional investors—and to some extent private investors too—have been diversifying geographically in a way that was inhibited in previous years.

Total transactions in U.S. equities by British investors, taking into account both buying and selling, reached $18.8bn in 1982, which represented over 20 per cent of all activity by foreign investors.

The weakness of tha pound meant that the British appetite for U.S. securities was not restrained to the same degree by currency factors as was the demand from some other countries. When tha dollar weakened in the final quarter of the year sterling was the only major currency not to appreciate in dollar terms. The Swiss franc, for example, showed a gain of 8 per cent in this period.

Despite tha adverse trend of the dollar in the final quarter, however, many overseas investors increased their buying of U.S. equities in that period because of the sharp rise in the equity market.

During the earlier part of the year Wall Street had been in the doldrums. Although the British were steady buyers throughout the year, tha Swiss and tha Japanese were sellers. In the third quarter foreign net purchases amounted to only $355m.

For October-December, however, buying bounced back to a net $1.5bn. British purchases increased further and the Germans appeared as significant buyers to the extent of over $200m. This may have reflected some of the same factors which led to heavy German activity in the U.S. domestic bond markets.

Canada and Latin America also joined in the buying boom, as did the Japanese with purchases of $250m which more or less cancelled out their net sales earlier in the year.

But the French were notable absentees from the general buying revival. French investment in U.S. equities had reached a record $900m in 1981 but the shift of assets came to an end. During 1982 French investors appear to have been restrained by currency and other restrictions and have also been able to tap high interest rates at home.

The other anomaly of the year was tha shrivelling of Arab purchases of U.S. equities, which tumbled from over $1bn in 1981 to $376m in 1982. The quarterly statistics for 1982 show a consistent decline, culminating in an actual net sales figure of over $250m for the final quarter—when most other investors were enthusiastically buying into a rising equity market.

A significant amount of Arab-originated business is dona through Swiss intermediaries, which may partially explain why the Swiss, too, apparently lost their taste for Wall Street last year.

The Swiss were net sellers in every quarter, their disposals for the full year totalling over $500m against net purchases of nearly $300m in 1981 and about the same in 1980. Swiss investors are traditionally conscious of currencies and are oriented towards bonds rather than equities, so the recovery of tha Swiss franc against the dollar in the latter part of the year, together with tha fall in interest rates, may have caused them to shift back to their historical preferences.

As for the Arabs in oil-exporting countries, there appears to have been a reversal of the factors which led to a marked upsurge in their U.S. equity purchases in the previous two years. Early in the year they were restrained by the poor price performance of common stocks and by the time the recovery came they were affected by the weakness of dollar oil revenues in the Opec countries.

Two other categories of overseas investors are worth mentioning, the Canadians to the north and the Latin Americans to the south.

The Canadians are economically very closely connected to the Americans, even though lately they have suffered their very own financial pressures. For much of 1982 the Canadians were modest sellers on Wall Street but they were obviously very closely in touch with the mood on the U.S. equity markets and towards the end of the year they became strong buyers, just like the Americans themselves.

For Latin Americans, the economic and financial crisis has been on a much worse scale than further north. All the same, the availability of substantial amounts of private "funk" money enabled the Latin Americans — partly through offshore outposts like the Netherlands Antilles—to join wholeheartedly in tha final quarter equity buying spree, even though their approach had been more variable earlier in the year.

NET PURCHASES OF U.S. EQUITIES ($m)

	1981	1982
Europe	$3,662	$2,530
Belgium-Luxembourg	119	(81)
France	900	(147)
W. Germany	(23)	221
Netherlands	42	(55)
Switzerland	288	(524)
UK	2,235	3,041
Canada	782	226
Latin America	(30)	232
Bermuda	29	133
Netherlands Antilles	(98)	37
Asia	1,427	642
Hong Kong	156	100
Japan	118	1
Other	1,153	376
Total All Countries	$5,830	$3,850

Source: U.S. Treasury

Barry Riley reviews the experience of European buyers of U.S. companies

Careful timing a key element

MANY European buyers of American companies during the peak acquisition years of the late 1970s have been going through what could be described as a period of digestion. For a good proportion, indeed it has seemed more like indigestion—and the British group Consolidated Gold Fields has suffered so much in its U.S. industrial businesses that it has changed its strategy and decided to concentrate on the extractive industries.

Many more companies have found the recession to be a period of severe problems. Volkswagen's decision to set up a manufacturing operation in the U.S. has never reached its target, and recently the overvaluation of the dollar has allowed tha Japanese to intensify competition in a small car sector which in any case has suffered from the fall in petrol prices.

For the British industrial conglomerate Thomas Tilling the sharp setback in its U.S. operations has laid it open to an opportunist bid from a rival British group, BTR.

The French oil and gas major Elf Aquitaine paid around $2bn for the mining and chemicals group Texasgulf in 1981, only for it to be seriously hit by deteriorating business conditions. Elf Aquitaine's experience has probably soured the whole French approach to U.S. expansion.

Such problems have underlined the need for careful timing. While some companies are licking their wounds over their forays into the American energy and resources field, others which bided their time are now quietly picking up assets—especially producing properties—at much lower prices.

For big European-based multinationals there is strong motivation to get into the U.S. market, almost regardless of the short-term problems. Companies like BAT Industries and the Royal Dutch/Shell Group did so many years ago (most Americans now think that Shell is an American-owned company).

More recently BP, by taking control of Sohio, and BOC, by acquiring Airco, have developed strong U.S. presences. But Unilever and Philips have found it more difficult to build appropriate positions in the U.S. market. Increasing protectionism means that many Japanese companies may now face the same kind of challenge, leading to joint ventures like the GM-Toyota small car project.

European banks also feel a need for a direct representation in the U.S., a path now being followed by Japanese banks as well. There could be some opportunities in the currently troubled U.S. banking industry but there are risks too—especially of capital inadequacy and loan losses—which may explain why a number of smaller banks and financial service companies are on the market.

In any industry there are risks in plunging into a big competitive market like that of tha U.S., where at least business is by and large played by the rules but where those rules need to be learned thoroughly.

The most successful European companies to have made large direct investments in the U.S. include many whose acquisitions have developed out of an existing import-based business. Ideally, the products, technology and marketing techniques developed in the U.S. will then flow back to reinforce the European base.

Some companies have also succeeded on more of a conglomerate philosophy but this is only likely to work if there is a strong commitment to the U.S., reinforced by a high-level management team resident in the U.S.

SIEMENS OF W. GERMANY

Methodical path to success

SIEMENS, the German-based electrical giant, has built up its American business steadily and methodically. The U.S. has now become Siemens' largest overseas market, with sales currently running at around $1.5bn, almost a third of which is imported.

"Coming here as a German company, you have to do a lot of adjustment," says Dr Hans Decker, president of Siemens Capital Corporation, which provides financial, legal and other services for Siemens Corporation. "You can't just come to America and make a fast buck. You have to have a long-haul outlook."

Like a number of other large overseas manufacturing companies, Siemens came to the U.S. to support its existing business. The original activity was medical systems but now three other Siemens divisions (there are six in all world-wide) also have U.S. operations—components, communications systems and power engineering.

The group's U.S. expansion policy continues to be aimed at developing existing operations rather than buying new products or technology. Sometimes, for example, there is a need for distribution facilities, or a ready-made manufacturing unit may be more attractive than the much slower greenfield alternative.

Siemens is also prepared to undertake joint ventures in the U.S. Siemens-Allis, for instance, is jointly owned with Allis-Chalmers and was recently bolstered by the purchase of the distribution and controls division of Gould, the Illinois-based electrical group. There is also a link with Corning in fibre optics.

Decisions to manufacture in the U.S. rather than Europe are made primarily on the basis of costs. The expansion has reached the point where there are now some 15,000 U.S. employees. Under 1 per cent are German expatriates.

Dr Decker argues that it is a mistake to try to buy technology. "That's where the American idea comes to fruition. You can't just come here and buy a piece of it." He thinks, however, that Siemens is gaining an overall benefit from long-term exposure to the U.S. technological environment.

Will the group also be inflenced by U.S. acquisition methods? Dr Decker does not think so. "I cannot imagine us doing any unfriendly deal. It's not the Siemens style." Perhaps, however, the group might adopt a white knight role. "We have been asked. You can't rule it out."

HANSON TRUST OF BRITAIN

Unglamorous but profitable

THE BRITISH company Hanson Trust is one of the most successful overseas conglomerates actively trading in the U.S. Profits in the U.S. have grown consistently over the years and in the year to last September accounted for almost all the £35.4m before tax earned by Hanson's activities outside Europe. This was more than half the group's total of £60.4m.

Hanson is sometimes accused of buying dull businesses with limited potential and there is certainly nothing exciting about a list which includes shoe retailing, meat processing, textiles and fishmeal. However, it appears to have developed a profitable formula for turning such an unpromising collection of varied American companies into a relatively dynamic whole.

Sir Gordon White is the British, but New York-based, head of Hanson's U.S. operations. He has paid special attention to purchasing companies at the right prices. "The buying of the companies is terribly, terribly important," he says, more so than their subsequent management.

His policy over the years has been to take advantage of tha relative cheapness of the less glamorous type of U.S. business. "You need to buy assets at a discount to safeguard yourself against trading decline," he suggests. It has not worried him that he has been confined to what he admits are "dull, steady businesses."

Sir Gordon has often been outbid by other European companies, some of which have subsequently had cause for regret. He argues that European bidders have often been in too much of a hurry. They have also been misled by unfamiliar American bargaining tactics, which have led to some unnecessarily high prices being paid.

Plenty of traps

Ha warns his compatriots that "those lawyers will drive you crazy," and that even after the deal is signed, there are plenty of traps in the American business environment, which is very competitive. "British companies tend to view the country like a great big Britain—but it isn't."

For the time being, at any rate, Sir Gordon appears to be out of the market. "The p/e ratios have become very high," he says, "and the asset values are not very good. U.S. companies are not any longer attractive to a discerning UK company."

BANKING: Our New York staff report mixed fortunes for the banks in the past year, notably because of the world debt crisis

Home and overseas loan problems leave battered legacy

THE MAJOR U.S. money centre banks have turned in a mixed performance over the past 18 months.

While lower interest rates in the past nine months have helped some to post reasonable earnings gains, particularly in the latest quarter, for most banks such gains have been at least partially offset by a dramatic increase in non-performing loans and considerably higher loan loss provisions.

For a small group of bankers 1982 will be a year they would prefer to forget.

International loan problems and reschedulings have raised questions over the banks' overseas lending policies and the banks' domestic business has been little better. Besides well publicised bankruptcies like Braniff and Penn Square, scores of other borrowers, particularly in the energy and property sectors, have run into problems.

All this has happened when the banking industry itself is going through a period of unprecedented change.

Some of the major money centre banks started the year battered and bruised. The Penn Square failure in particular has caused pain, particularly for Continental Illinois, the seventh largest U.S. bank and Chicago's largest.

The Oklahoma City bank's failure was a major contributory factor to Continental's poor full year and first quarter performance. Earnings last year plunged 43.3 per cent, while non-performing loans soared to $1.9bn at year-end and $2bn at the end of the first quarter.

As a result, the bank, which is now attempting a brave if difficult recovery, has seen its return on assets and return on equity shrink to a meagre 0.18 per cent and 4.9 per cent respectively at year-end.

Continental is not alone. For Seattle's Seafirst Bank, not one of the major money centre banks but nevertheless a major regional ranked 29th largest in the U.S., Penn Square has proved to be a near-fatal body blow.

Deciding factor

Mr Richard Cooley, Wells Fargo Bank's chairman, was recruited just before Christmas to help try to sort out the bank's problems. But in spite of arranging a $1.5bn standby agreement with other major banks a $133m first quarter loss proved to be the deciding factor. Last month Seafirst agreed to merge with BankAmerica.

Chase Manhattan, which also bought a $212.2m slice of Penn Square's $2bn energy loans, reported lower full year and first quarter results.

Both Chase and Manufacturers Hanover were also hit by the Drysdale Government Securities collapse last year.

Even banks in the once booming South West have been hit by the impact of the recession on their customers. Interfirst, the rapidly growing Dallas-based banking group and 15th largest in the U.S., saw its first quarter earnings tumble 25 per cent after reporting energy loan problems.

Overall the total size of the top 12 banks' non-performing loans increased by about $7bn to just over $15bn at the end of the first quarter, while loan loss provisions were some 80 per cent higher at just over $700m, reflecting the deterioration in asset quality on both domestic and international lending.

The problems of some of the less developed countries have had other effects on the major U.S. banks, which rank among their largest creditors. The banks have been forced to reveal considerably more than they would care to do about their overseas problem credits.

But perhaps most significantly it has tarnished their public — and Congressional —image and led directly to a set of new proposals which would result, among other things, in the U.S. banks having to set aside special reserves against losses on overseas lending.

Although the new regulations have yet to pass into law, it seems increasingly likely that U.S. bank overseas lending will be subject to tougher supervision and control. That will be the price Congress—backed in part by the regulators—will have extracted for "bailing out" the banks' problem foreign loans through higher IMF quotas.

Nevertheless, the banks do appear to be on the verge of a major victory on another legislative battleground—the interest withholding tax which was planned for introduction this July as part of a mixed bag of Federal budget trimming measures.

Interest rates

Although the major banks publicly disassociated themselves from a fierce lobbying campaign mounted by the smaller banks against the provision, they will be a major beneficiary if, as seems likely, the proposal is delayed.

The banks also had mixed fortunes with the recent deregulation of interest rates —a process which has allowed the lifting of interest rate ceilings on many forms of deposit accounts and to the creation of new money market rate and interest-bearing current accounts. As a group the 12 largest banks reported net earnings 9 per cent higher in the first quarter at just under $1bn.

About three-quarters of the major money centre banks were able to report better-than-expected first quarter earnings, mainly as a result of lower funding costs coupled with improved margins. At Morgan Guaranty, for example, the net yield increased from 3.6 per cent to 3.2 per cent in the latest quarter.

This recent improvement in earnings together with a return of investor confidence in the banks has helped lift bank share prices back up towards—and in a few cases —book value and enabled banks to begin to return to the straight equity markets. This follows a period during which they have had to rely on preferred stock and international bond issues to bolster capital ratios.

But the latest figures also highlighted the varying degrees to which the major U.S. banks have been able to exploit the new money market accounts.

While banks on the East Coast managed to absorb the higher deposit costs and seem to have been particularly successful in attracting funds back from the money market funds, those on the West Coast, where competition for the new accounts was very fierce, were less fortunate.

BankAmerica in particular blamed its lacklustre first quarter performance on its higher cost deposit rate structure. Crocker Bank, 57 per cent owned by Midland of the UK, was even more adversely affected.

Comparisons were also made more difficult by a change in the way U.S. banks now report their earnings. The old item, earnings for securities losses or gains, is now buried in the figures in favour of a single bottom line system. In the immediate term that bottom line figure will remain closely tied to the course of interest rates and the pace of the economic recovery.

But by bidding up most of the U.S. banks' share prices Wall Street investors at least appear to believe that the worst may be over.

Paul Taylor

PERFORMANCE OF U.S. MONEY CENTRE BANKS

Ranked by assets end-1982	Total assets 31/3/83 $m	Annual % change	Net income for yr. ending 31/12/82 $m	Annual % change	Loan loss provision ($m) March 31 1983	1982	Annual % change	Non-performing loans ($m) March 31 1983	1982	Annual % change	Return on equity (%) first quarter 1983	1982
Citicorp	128.3	+ 9.0	723.0	+36.0	136	90	+ 51	1,900	n.a.	n.a.	18.4	18.0
BankAmerica Corporation	119.7	+ 1.1	452.9	+ 1.4	96	61	+ 57	2,978	1,237	+140.7	10.16	11.47
Chase Manhattan Corporation	78.7	+ 3.3	308.0	−25.4	70	55	+ 27	1,900	883	+115	13.6	16.5†
Manufacturers Hanover Corporation	59.6	+ 4.7	295.0	+17.0	54	26	+111	875	726	+ 21	13.7	13.04†
J. P. Morgan and Co.	59.4	+ 7.5	394.2	+11.3	70	17	+312	700	386	+ 81	16.73	14.28
Chemical New York Corporation	46.4	+ 3.8	240.6	+11.9	29	16	+ 84	796	591	+ 35	14.79	16.13
Continental Illinois Corporation	41.3	−11.7	77.9	−69.4	100	35	+186	2,000	844	+137	7.3	15.5
First Interstate Bancorp	40.1	+ 7.1	221.2	− 8.3	43	28	+ 52	1,148	560	+105	13.12	13.94
Bankers Trust New York	39.5	+ 6.2	239.0	+27.0	15	15	n.c.	476	423	+ 13	15.59	15.81
Security Pacific Corporation	36.6	+10.0	234.3	+13.0	38	19	+ 94	855	351	+144	16.3	15.8
First Chicago Corporation	35.0	+ 6.0	136.8	+15.0	35	12.5	+ 56	876	579	+ 52	11.57	10.33
Crocker National Corporation	26.4	+17.8	71.6	+13.8	15	9	+ 55	724	411	+ 76	5.12	6.39

† Common shareholders equity.

Source: Financial Times Estimates.

Smaller banks chary of foreign lending

A CURSORY glance through the chairmen's statements of most U.S. money centre banks a couple of years ago would have left the reader with the impression that U.S. banks had little or no overseas business.

The bulk of comments were given over to the domestic scene and only very occasionally did chairmen allude to the international situation. All that has changed over the last six months, however, as U.S. bankers and their shareholders have woken up to the grim fact that they are very exposed to the problems that have hit the international banking community.

Directors of the small regional banks have begun to ask why their institutions are lending money in Brazil, Argentina and Mexico when local manufacturers and farmers are struggling to raise finance. It is one thing having a commercial loan go sour when the borrower is on the other side of town and the bank has a first lien on the assets. It is quite another to find you are just one of 500 or so banks that have lent money to Grupo Alfa, Mexico's largest private industrial conglomerate, which is struggling to reschedule its $2.4bn of debts.

U.S. banks are putting a brave face on the recent international banking crisis but it is quite clear that many of them are withdrawing from the international scene and concentrating on developing their business in their own backyards. It might be less glamorous but it is what the U.S. regional banks know best.

A few figures point up the areas of greatest concern for U.S. banks. Mexico leads the list of countries which have borrowed most heavily from U.S. banks. At the end of 1982 it owed U.S. banks $24.4bn, more than double the figure just three years ago.

On the doorstep

The proximity of Mexico to the U.S. has meant that many small regional banks along the U.S.-Mexican border have been big lenders to that country. The speed with which Mexico's liquidity problems surfaced last summer shocked U.S. bankers but the situation has settled down somewhat since Mexico restructured its debts. For the time being U.S. bankers are relatively comfortable about their exposure to Mexico if for no other reason than that it is on the U.S. doorstep and the U.S. Government would not allow anything too dire to occur which might threaten U.S. banks' stability.

By contrast, U.S. banks are far less relaxed about their next two biggest borrowers, Brazil and Argentina. At the end of 1982 Brazil owed U.S. banks $22.8bn and Argentina owed $8.0bn.

In Brazil's case U.S. bankers have always been impressed by the country's ability to grow and manage its financial performance. They are not at all sure, however, that Brazil can meet its ambitious targets to put its house in order so that it can live within the tough conditions international banks and the international agencies have insisted on if the country is to receive their financial support.

The reports of civil disturbance are making U.S. bankers nervous that the sacrifices Brazil may have to make will impose intolerable social strains on the country. The last thing they want is another Iranian type revolution occurring in such an important market. Unlike the case of Iran, they do not have the cushion of sizeable Brazilian deposits which they can locate if the country runs into arrears on its debts.

Another cause

Argentina, which owes U.S. banks $8.9bn, is another cause for concern. Here, however, U.S. banks have not been expanding their lending at anywhere near the same rate. Nevertheless they are worried whether the country has the political framework for solving its financial problems. It is one of the richest countries in Latin America but it also has a tradition of instability which is worrying many U.S. bankers as they watch the tortuous negotiations on its debt refinancing.

There are several other Latin American countries which are giving U.S. banks cause for concern but the exposure is much more limited and the risks are less. As a group Latin American borrowers account for a fifth of U.S. banks' international loans.

South Korea and the Philippines, two other big developing country borrowers, account for another 4 per cent of total bank lending overseas. Eastern Europe, another trouble spot for U.S. banks, accounts for less than 1½ per cent cent. The great bulk of U.S. bank lending overseas, $211bn, is still to the developed countries.

While there are several hundred U.S. banks involved in international lending, close to two-thirds of it is in most cases accounted for by the nine biggest U.S. banking groups, which puts the present problems in context. These banks are relatively sophisticated in their international lending experience and are bearing the brunt of the work on rescheduling individual country debt.

One problem has become particularly acute, however—the case of U.S. banks' interbank lines to Brazil. As part of the overall rescue package the authorities are hoping that the U.S. regional banks will restore their interbank lines to previous levels.

The U.S. regional banks have generally made it clear that they are not going to do this and whereas in Britain a quiet word from the bank regulator concerned would do the trick the U.S. regional banks are an independent bunch and when they have made up their minds it is difficult to get them to budge.

In the case of Brazil the shortfall in interbank lines accounted for by the the U.S. regionals is of the order of $600m. This does not sound a lot but it is proving an important obstacle in the Brazilian debt negotiations since the European banks in particular which have shouldered their share of the burden are very reluctant to see the U.S. regional banks being allowed to withdraw. There is a widespread failure in Europe to understand the strength of feeling among the smaller U.S. banks on this question.

Even the biggest and most internationally committed of U.S. banks are adamant that the heady growth rates in their loan exposure to Mexico, Brazil and Argentina, which had been rising at between 15 per cent and 40 per cent between 1979 and 1981 is a thing of the past. The regulators are budgeting on U.S. banks and the other international banks increasing their loan exposure to these three countries by between five and 10 per cent this year and next. But even this may be expecting far too much.

A big problem for the U.S. banks is the threat of Congress passing some form of legislation which will curb their international lending. This is presently being debated by Congress as a quid pro quo for an agreement to increase the U.S. contribution to the IMF. Many politicians believe that this is nothing more than a "bail-out" for U.S. banks which have over-extended themselves in their international lending.

The banking regulators have proposed a five-part package to strengthen supervision of U.S. banks' foreign lending. This includes a strengthening of country risk evaluation procedures, better disclosure and a system of special reserves. The regulators hope that they will be given discretion to interpret the tougher rules flexibly. But the legislators are anxious to see tough rules written into any legislation which will give the regulators little leeway in interpreting the rules.

Rescheduling

Peter Read, an executive vice-president of the First National Bank of Boston, told the House of Representatives Banking Committee last month that if the regulators' proposals had been in place he estimated that as many as 100 or more U.S. banks which had taken part in the recent Mexican rescheduling would have refused to do so.

Such estimates are hard to justify but it is very clear that as a result of the growing political criticism of U.S. banks, which may well be translated into legislative curbs on their foreign lending—plus their own concern about the scale of the international debt crisis—many U.S. banks are now pulling out from the international arena.

Provided there is some trade with the area, such as exports, the U.S. regional banks still seem prepared to undertake international trade financing with the developing countries but many have stopped their money market activities altogether and are not participating in the few syndicated loans going through.

U.S. bankers are urging their critics to remember that developing countries take well over a third of all U.S. exports and provide jobs for an estimated 1.8m Americans. For these reasons it is vital that U.S. banks shoulder their share of the lending necessary to keep the developing countries afloat over the next year or two.

Conservative assumptions indicate that the 21 major less developed countries will need approximately $70bn of new lending up to 1985. This is the equivalent of a 7 per cent per annum increase in private bank lending. It is a far cry from the 20 per cent plus per annum which existed a couple of years ago but for the U.S. banks at least it is a target which will be hard to reach.

William Hall

TOP 10 US BANKS THIRD WORLD DEBT EXPOSURE —

	Mexico	Brazil	Venezuela	Other	Total	Total as per cent of equity
Citicorp	3.27	4.36	1.09	1.09	9.81	203
BankAmerica	2.50	2.30	2.00	—	6.80	148
Chase Manhattan	1.69	2.36	1.01	1.01	6.07	220
Man.Hanover	1.73	2.01	1.10	1.97	6.81	245
Morgan Guaranty	1.08	1.69	0.54	0.76	4.07	150
Chemical	1.50	1.30	—	0.74	3.54	182
Cont. Illinois	0.70	0.49	0.46	0.38	2.03	119
First Interstate	0.68	0.47	—	—	1.15	64
Bankers Trust	0.87	0.87	0.47	—	2.23	143
Sec. Pacific	0.53	0.49	—	0.18	1.19	89

Source: The American Banker March 1983.

Traditional preserves are being aggressively invaded

Deregulation coming perforce

FIFTY YEARS ago Congress, stunned by the impact of the depression on U.S. banking, built an apparently solid legislative wall to separate the securities and banking industries.

The Glass-Steagall Act was born. Together with the McFadden Act, which restricts interstate banking, its regulations laid the basic framework for banking in the U.S.

Today, driven by interest rate deregulation, new products and competition, those walls are crumbling. The speed of the demolition job is sometimes breathtaking. Hardly a month goes by without another major development — another brick knocked out of the wall.

Banks, particularly the major ones, are buying brokers and insurance companies. Insurance companies are acquiring brokers and most recently banks. Big non-bank commercial and industrial companies are buying everything.

Such is the pace of the changes that Mr Leland Prussia, BankAmerica's chairman, said recently that he sees substantial deregulation of the banking industry by the end of the decade.

The securities industry is waging a rearguard action in the courts against almost every "incursion." Some bankers also fear or doubt the rationale behind the changes.

President Ronald Reagan recently set up a commission to study the implications of changes in the financial sector. Congresisonal committees, including the Senate Banking Committee, are meanwhile holding hearings into the future of Glass-Steagall.

These hearings have already highlighted splits among the regulators themselves. While Mr Paul Volcker, the Federal Reserve Board chairman, recently urged Congress to call a temporary halt to the acquisition of banks and savings institutions by non-banks, other regulators disagree. Some, like Mr William Isaac, chairman of the Federal Deposit Insurance Corporation, have recently urged a speed-up in the deregulatory process.

Whatever emerges from the current debate it is already clear that the U.S. financial services "landscape" has already been drastically altered by aggressive market participants who appear to have given financial service integration a momentum all of its own.

This was apparent earlier this year when Prudential, which has already bulldozed its way into the securities industry through its acquisition of the Bache Group, said it planned to buy a small Atlanta bank. A few weeks later J. C. Penney, a major retailer, announced plans to do the same.

Mr George Ball, chairman and chief executive of Prudential's Capital and Investment Services subsidiary, said: "The acquisition of the bank will permit a rounding out of the financial services we can offer." Significantly, he said the move was in response to increasing competitive and client pressures. "This move is in response to those demands. We cannot permit competitors such as Dean Witter, Bank of America and Shearson/American Express to hold an advantage over us. Our only other choice is to see important segments of our business going to others."

Driving force

Mr Ball was reflecting one of the major driving forces of the current trend towards the formation of multi-product financial groups — competitive pressure to provide the widest range of services, particularly for wealthier clients.

This has been one of the principal driving forces behind the formation of financial services groups like the three named by Mr Ball.

BankAmerica, which until recently lagged behind the diversification game, has acquired Charles Schwab, the nation's largest discount broker, bought a 25 per cent stake in an insurance services company and is now bidding for financially troubled Seafirst Bank in Seattle, a move which further tests interstate banking restrictions.

American Express, the traveller's cheque, insurance and business and entertainment card group has bought its way into Wall Street through the acquisition of Shearson and dramatically expanded its international banking business — some believe thus positioning itself for further domestic banking deregulation — through its recent purchase of the overseas operations of Trade Development Bank Holdings.

Meanwhile banks like Citicorp have been aggressively expanding their investment banking activities and linking up with discount brokerage houses to provide brokerage services.

Security Pacific, the rapidly growing Los Angeles bank, has been one of the most aggressive wall-busters, a fact that recently led Mr Ball of Prudential to describe the bank's actions as "programmed encroachment."

The bank, which recently completed the purchase of a 29.9 per cent stake in Hoare Govett, the UK stockbroking firm, first linked with Fidelity Brokerage Services but has subsequently become an aggressive purchaser with the acquisition of several private brokerage firms and of Khan and Co, a leading discount brokerage firm in the South.

The lines have been further blurred by the process of deregulation of interest rates. Since the start of the year the banks and the savings and loan associations (S and Ls) have been able to offer money market rate deposit accounts in competition with the money market funds. The S and Ls have been able to offer limited commercial lending facilities.

This has led to a new wave of S and L acquisitions. Citicorp now owns a Savings and Loan association in California—the backyard of its arch-rival BankAmerica.

But the securities firms and money market funds have been fighting back. Thomas McKinnon, among the nation's 20 largest brokerage firms, has revealed plans to enter the banking business through the acquisition of a small savings and loan association.

Dreyfus Corp, the fund management group, has gained approval to set up a national bank in New York. Travellers Corp, the insurance group, plans to offer a cash management service through its 20,000 independent insurance agents.

Merrill Lynch has bridged the barriers between banking and the securities industry by offering new products and recently announced plans to buy a small New Jersey savings and loan association.

In some cases state legislators, seeing the potential for new jobs and revenues, are actively encouraging the breakdown of Federal inter-state banking laws. In New England state lawmakers are effectively creating the first regional inter-state banking system by introducing reciprocal banking legislation.

Circumvent rules

State governments in Delaware and South Dakota are actively inviting out-of-state banks to circumvent the existing Federal rules. For example, Citicorp, aided by state lawmakers, recently announced plans to buy a controlling interest in a South Dakota bank in a move designed to take advantage of a new South Dakota law which allows state chartered banks to sell insurance.

Recognising the confusion which exists in the industry at the moment Mr Donald Regan, the Treasury Secretary, recently promised that the Administration will submit legislation later this year to enable U.S. banks to enter new lines of business without the need to search for loopholes.

Paul Taylor

Big venture capital pool

IT WOULD be wrong to describe the U.S. venture capital business as a mature industry, given that it is providing the finance for the industries of tomorrow.

None the less, venture capital is much more highly developed in the U.S. than in other industrialised countries, which partly explains why infant foreign companies hungry for risk capital often find they can get a more sympathetic hearing in New York and Boston than at home from would be financiers.

Traditionally venture capital has been associated with the financing of rapidly growing "high-tech" industries in the U.S. This is to a large extent true but U.S. venture capital operators can also be found backing young companies in somewhat unglamorous industries.

Hambros, for example, one of the more aggressive foreign venture capital operators provided backing for a manufactured housing company. Within fifteen months the company had gone public and within two and a half years Hambros had taken its profits and parted company with the venture which by then was standing on its own feet.

Tales such as these are the exception rather than the rule but they indicate that in the U.S. venture capital is not solely associated with the financing of the latest generation of products out of California's Silicon Valley.

U.S. venture capital companies have been growing fast over the last five years and now occupy an important place on the bottom rung of the financial system. They provide the start-up capital for young companies which cannot expect the big Wall Street investment companies to be interested. Once they have grown above a certain size the companies tend to be strong enough to hire a medium to small regional investment banker to handle their capital raising needs. The final step is when the company finds it can gain the ear of a big Wall Street investment bank. Then it has really arrived.

It takes companies a long time, however, to find acceptance on Wall Street and with as many as two out of every 10 new companies going to the wall the risks are unacceptably high for some institutions. Consequently U.S. venture capital managers fill an important financial slot in the early history of many young U.S. companies.

Estimated $7.6bn

The total pool of venture capital in the U.S. is estimated at some $7.6bn by Venture Capital Journal, the industry magazine, and over 4,000 U.S. companies have been backed by some 200 or so U.S. venture capital companies.

Few have achieved the dramatic success of Apple Computer, the fast-growing personal computer manufacturer, which was set up only in 1977 by two college drop-outs, Stephen Jobs, currently aged 28, and Stephen Wozniak, 33. Apple was financed in its early years by a combination of private investors and venture capital companies. Their experience underlines the kind of rewards that can be made in a short space of time by astute venture capital operators.

Venrock Associates, a venture capital company associated with the Rockefeller family, was in at the beginning and is reported to have paid 9 cents a share on average for its stake in the company. At the end of 1980 Apple shares were offered publicly at $22 a share and now stand at over $50 per share. In just six years a $350,000 stake has been turned into a $200m investment.

The Rockefellers were not alone. Apple was backed by several other venture capital operators such as the Broventure Company, First Century Partnership (part of Smith Barney) and the Hixon Venture Company.

Whilst there are few case histories which can rival the dramatic financial success of Apple for its early backers, the venture capital industry is driven forward by the belief that there are more companies like Apple Computer just waiting to be financed.

Venrock is one of the elder statesmen of this young industry. It has been in business since 1938 and has built up an investment portfolio of $40m (at cost). It is interested in everything from start-up financing to leverage buy-outs. Its preferred minimum investment per company is $300,000 and its maximum $1m. Last year it completed a dozen deals.

There are companies considerably bigger than Venrock, of which Citicorp Venture Capital Corporation is a good example. Its investment portfolio is $210m, which puts it among the leading venture capital companies. Last year it did over 35 venture capital deals which resulted in an investment of $40m.

U.S. venture capital companies come in all shapes and sizes. They are basically split into three broad groupings—the private independents, the small business investment companies and the venture capital subsidiaries of major companies. The private independents, as a group, are far and away the most important and according to Venture Capital Journal, accounted for $1.4bn of the $1.7bn committed to venture capital companies last year. The subsidiaries of big companies accounted for another $200m, with the small business investment companies accounting for the balance.

In terms of the number and value of deals done by venture capital companies in the U.S. the computer-related investments lead the field, accounting for two fifths of the individual deals done and taking an even bigger proportion of the finance provided by venture capital investors. Other electronic-related companies (which includes semi-conductors) account for 12.5 per cent and communications for slightly less.

William Hall

U.S. VENTURE CAPITAL FUNDING ($m)

	Commitments	Disbursements
1978	570	550
1979	319	1,000
1980	900	1,100
1981	1,300	1,400
1982	1,750	1,700

Source: Venture Capital Journal

TYPES OF VENTURE CAPITAL DEALS 1982

	Number (% of total)	Value (% of total)
Communications	10.5	10
Computer-related	40.8	44.9
Other electronics	12.5	13.1
Genetic engineering	3.0	3.2
Medical health	8.2	6.0
Energy-related	5.8	6.5
Consumer-related	6.0	5.4
Industrial production	6.6	6.8
Other	10.5	8.9

Source: Venture Capital Journal

Mr William Baxter, Assistant Attorney General: reviewing 1,200 to 1,300 past judgments.

How the Department of Justice interprets the new guidelines. Report by **Richard Lambert**

Anti-trust goal is economic efficiency

ANTI-TRUST policy has changed significantly under the Reagan Administration. Whereas anti-trust enforcers have tended in the past to equate bigness with badness, the attitude today is that mergers are capable of bringing valuablo economic gains. There is mnch greater emphasis on analysing the costs of any intervention in the market place and e willingness to pull the arm of government back from areas of enforcement which do not bring quantifiable economic benefits.

One of the driving forcas behind this new approach is Mr William Baxter, 53, who came to the Department of Justice as Assistant Attorney General in charge of the anti-trust division after spending 21 years as professor of law at Stanford Law School.

He argues that the changes in policy have not been so radical. "Most of the things I've done have been accepted by professional economists for some time," he says, adding that after a period of cultural lag the legal profession has been catching on too.

The major initiatives under his regime have included the Government's divestiture settlement with American Telephone and Telegraph and — a decision which be ranks as equally important — the abandonment of the lengthy and bngely expensive anti-trust action against IBM.

More sophisticated

Last summer the Department also published a badly needed npdate of the Federal guidelines for corporate mergers, which incorporate a much more sophisticated system of measuring market power than had been used in the past.

Mr Baxter says it is difficult to assess the impact of these guidelines on the corporate sector. "My perception is that a number of transactions have gone ahead smoothly and confidently that perhaps wouldn't have been engaged in before," he says. "I also think that an important aspect of the guidelines was that they clarified our own investigation processes."

Although be believes that mergers can bring valuahie economic benefits, he does not think that these can readily be taken into account when assessing a particular transaction. An attempt to quantify the polential gains in efficiency arising from a merger would lead, be says, "to a litigation bog that I would as soon stay clear of."

Under the new regime the focus of attention is very much on horizontal mergers, involving companies that are directly competing with each other in the same markets, rather than on conglomerate or vertical deals. Mr Baxter says, however, that the doctrine of potential competition can remain a valid reason for blocking a deal. Although reluctant to spell out ell the circumstances in which the Department would be likely to act, be says that it could happen in e highly concentrated industry where entry is very costly. If an outsider who, usually for technological reasons, is by all odds the most likely entrant to such a market attempts lo come in by ecquiring a substantial concern already in the industry, that deal might well be attacked by the authorities.

In another important initiative the Department is in the process of reviewing past judgments—all 1,200 to 1,300 of them — to weed out those which may be having an anti-competitive effect in today's changed circumstances. As a result American Cyanamid has been relieved of an old consent decree restricting its trade in melamine and the motor manufacturers have been permitted freer relations with their credit affilietes. More such changes are in the pipeline.

Price-fixing hit

Consistent with the view that the sole goal of anti-trust is economic efficiency, Mr Baxter is hitting bard at price fixing. The Department has brought several hundred cases of alleged bid-rigging against highway contractors and bas started e criminal Grand Jury investigation of alleged price fixing on the North Atlantic air routes.

Perhaps its most publicised case is the civil anti-trust suit which is now under way against American Airlines and its president, Mr Robert Crandu. This is based on the tape of a telephone conversation with the president of Braniff, in which Mr Crandall is alleged to beve called in the fruitiest of terms for an end to the price war between the two airlines.

Mr Baxter is also concerned about the possibility of price fixing by offshore or partly offshore cartels seeking to carve a way into the U.S. market. He says the Department bas several investigations under way into episodes which seem to have these characteristics.

In one area of pricing, however, he is much less dogmetic than his predecessors. He believes there are cases where resale price maintenance can be justified and cites products like personal computers, which can only succeed in the marketplace if the ultimate consumer can be given information and training at the point of sale. That kind of assistance, he warns, could be driven out of the market place if customers are able to make their purchasing decisions in e shop which provides such services — and then walk down the street to a discount store to make the ectual purchase.

"There are occasions when the least cost way of preventing that kind of free rider activity is to set resale prices," says Mr Baxter.

This is one question which the Department is now eddressing. Mr Baxter is also considering an enti-trust reform peckage which be would like to see passed if possible. This could include a new approach to intellectual properties like copyrights and trade secrets, an area in which he thinks the anti-trust law as it stands is excessively intrusive.

He would also like to see contribution legislation enacted, so that if a successful ection is brought against a group of companies the damages can be shared pro rata. In addition, he would like to see the law chenged so as to abolish the triple damage penalty in many anti-trust euits.

Price fixers, he thinks, should still get it in the neck. But be does not want to de'er potentially sound mergers with the threat of such punitive measures.

More radically, perhaps, Mr Baxter thinks that it would be desirable for the Federal Trade Commission and the Justice Department to get into the merger business themselves. The present division of responsibilities is often arbitary and leads to substantial duplication of functions between the two anti-trust egencies. He would like to see the two brought together in some way but admits that no such moves are in the offing.

Surge in earnings by securities industry

AFTER A period in which the fortunes of the industry came under pressure from many directions the past nine months have allowed Wall Street Securities firms to return to what many of them still see as their basic business pattern. The renewal of the bull market in equities, together with the strength of the bond markets, bas brought attention beck to commission earnings and client servicing.

There has been reduced activity in the takeover business—with none of the mega-dollar industrial mergers which brought in juicy fees for those with the sophisticated legal and financial epparatus to find the White Knights, prolong the bid battles and produce the winning ploy.

Earnings for the first quarter of 1983 from the securities industry have shown an expected upsurge, reflected in gains of 400 per cent at Merrill Lynch, 367 per cent at Paine Webber, 58 per cent at E. F. Hutton, 81 per cent at First Boston and 40 per cent at Donaldson Lufkin Jenrette.

Substantial increases in profits were only to be expected in view of the activity in stock markets but the very prospect of higher earnings damped down the search for new partners or new opportunities which characterised 1982.

But this renewed concentration on conventional brokerage activities cannot mask the pressures for change in the industry.

Diversification

The trends towards diversification, towards the growth of large firms et the expense of the small and away from commission income towards trading profits as e major source of earnings have become too well-established to be reversed.

Final details of tho performance of the securities industry in 1982, now in the hands of the Securities Industry Association (SIA), bear out many of the assumptions mede before the year-end but also add a few surprises.

As expected, the overall return on equity for the industry increased sharply in the second half when the stock market staged its spectacular npsurge as interest rates eased and the first signs of an economic recovery in the U.S. were perceived. In the first quarter taxed return on equity was 5.4 per cent but rocketing business in the final six months brought the industry average for the year to 21.7 per cent. This, however, represented a fall from the 26.3 per cent returned for the previous year.

Major contributors

By far the major contributors were the 10 large investment bankers whose earnings lean more heavily on revenues from trading than do either those of the major brokerage houses (the 11 national full-line houses, with offices spread throughout the U.S.) or the regional brokers.

The investment bankers took 38.5 per cent ($2.7bn) of their total earnings from revenues on trading as principals. By contrast, the investment bankers took only 11.6 per cent of their total earnings from commission of client business.

The national full-line firms, although busy striving to reduce their dependence on commission income, still drew 27.3 per cent of their total earnings from this source, with revenues from trading, at 23.1 per cent, rapidly catching up.

The change in the trend over the past few years is indicated in SIA statistics, which show that es recently as 1979 the industry as a whole took 35.8 per cent of its income from commission earnings, a percentage which bed shrunk to 25.9 per cent overall by last year.

The surprise comes in the SIA's statistics on underwriting income. The regional brokers, sometimes regarded as a fast dying breed by the Manhattan specialists, drew 12.4 per cent of thoir 1982 profits from underwriting sources — higher than the industry average of 10 per cent and well above the investment bankers who took only 8.1 per cent from this source.

Percentages are not everything, of course. The investment bankers earned $562m from underwriting last year, against $371m by the regional brokers and $12.7bn at the national brokerage houses.

But the success in underwriting by the regional brokers reflected their role in beavy switching of municipal securities from bearer into registered securities. Since new issues both of debt and equities have played a major role in this year's upsurge, it may be that the regional brokers are not doing too badly at all!

The impact of Rule 415, the shelf registration rule book, has increased as the market has been treated to a steady flow of new issues as the bull market progressed. This can have only strengthened the hands of the banks and the major brokerage houses who have the placing power and the capital backing required to operate under the new and increasingly speedy issuing patterns.

The return to more remunerative trading levols in the market has left unanswered the questions posed last year by the defaults in the Government bond sectors of Drysdalo Securities and Lombard Wall.

Nasty questions

The Drysdalo failure raised somo nasty questions about practices in Government bond trading, in particular the trading of unissued securities on e yield only basis. The Fedoral Reserve Board has taken action to require greater reporting from Government bond traders but the securities industry itself has yet to take any initiative despite its immediete protestations of concern.

The commercial banks have established a new toehold in the securities business by taking advantage of the growth in discount brokerage. The SIA believes that, following the much-publicised entry into the discount area by such big names as BankAmerica, Chemical Bank and Citicorp, there are now et least 600 bank and thrift companies offering discount broking services.

Discount brokers, always the dreaded scourge of Wall Street, where "termites" is one of the more polite descriptions of their status, have exercised a major influence on the fee structure of the industry since May 1 1975, when fixed commissions were eliminated.

The discounters' share of the business is still relatively small at 8.4 per cent, according to the SIA. Some sources would put it nearer 10 per cent or $250m, while the Securities Exchange Commission has predicted that the discounters could take about one-fifth of total commission income by the end of the decade.

The discounters stand to gain substantially in market status from the interest shown by the comercial banks — not to mention the benefits of capital input and valuable additions to their client lists. The pressure likely to be exercised on commission rates could prove more of a problem for the regional brokers than has yet been admitted inside the industry.

Clearance by the Federal Reserve for BankAmerica's acquisition of discount broker Schwab included the first ruling from the Fed that discount brokerage services were permitted to the commercial banks.

This would seem to open up a significant area of competition between the commercial banks and the conventional brokerage houses. But the SIA is challenging the Fed's ruling and the issue may yet prove to be the major industry battle of the current year.

Terry Byland

Interest in property looks set to revive

Dallas, Texas, one of America's major growth centres and a source of prospective property development.

DISENCHANTMENT with real estate as an investment option and a comparative shortage of available investment funds have recently combined to restrain institutional interest in the U.S. property market. There are now positive indications that the pattern is set to change.

There are signs that the real estate market is already reflecting the general economic upturn—though different markets are responding at different speeds and in different ways—and thet institutional interest in acquiring prime income-producing properties is again on the increase.

The American institutions have not traditionally been committed to the virtues of real estate investment to the same extent as their European counterparts, which have fully taken on board the value of investments offering sound capital growth and recurring income. In both cases it is inflation which has finally driven the message home.

The record shows that U.S. real estate has been a more consistent performer—providing high real returns—than the bond and stock markets for the best part of 30 years.

But even so the degree of enthusiasm and involvement from many investment funds has been surprisingly half-hearted and just when growing numbers of potential investors appeared to be taking real estate seriously the recession sent them scuttling for cover.

There is now, however, a widespread belief that institutional investment in property will begin to grow significantly as investors appreciate the value of the market's relative stability, the opportunity to diversify and the prospects for substantial long-term returns.

Combination

According to John White of Landauer Associates: "The best news for real estate is the combination of increased capital availability for equity and mortgage purposes and the expectation of sustained lower interest rates.

"After almost three years of money shortages and high interest rates, investors and developers can look forward to a sharply improved monetary climate. The problem is that the improvement may be very short-lived.

"Excessive federal debt requirements from the middle of the year onwards may crowd capital markets to a point where both inflation and interest rates rise because private and government sector needs cannot both be effectively met."

But if there is more money available for investment this year—both the $600bn pension fund industry and the life insurance companies seem set to allocate larger sums to real estate — the chances are that most capital will find its way into existing properties rather than into new developments. Oversupply in most markets is likely to restrain any fresh phase of extensive development for some time to come.

The anticipated renewal of institutional interest in real estate can be attributed to several factors, not least the decline in short-term interest rates, combined with rising property yields.

At the same time many investors who were reluctant to commit funds to property in 1981 and 1982 when prices were at a peak have now appreciated that investment opportunities are available on a more reasonable basis. Moreover, John White says, the late 1982 surge in stock and bond prices strengthened most institutional portfolios and reduced the relative size of their real estate holdings.

As for what investors can expect out of property, initial growth in office investments will arise out of the capital appreciation which results from the strengthening of the investment market and the decline in yields, with rental growth only beginning to follow once the general over-supply of space is soaked up by a reviving economy.

For investors seriously considering real estate as an option, Chemical Bank has some sound advice. It suggests that properties should be purchased to reflect appropriate costs and that large premiums above replacement costs or inflated value of sale leasebacks above fair market value should be treated with caution.

Chemical also suggests that leasing structures should allow investors to take advantage of market increases over a five-year holding period but should not expose the investor should the building become excessively unoccupied in any one year. Great importance should be placed on adequate cash-on-cash returns on the first and second years of the investment with less value placed on hypothetical internal rates of return.

Chemical Bank makes the point that the fund manager-investor must put a great deal of homework into identifying the geographical area and types of cities offering the best opportunities and itself recommends regional centres where "exceptionally good" investment returns can be achieved.

Established

The bank also emphasises that investment vehicles for the passive institutional investor in real estate in the U.S. are now well established. Comingled funds have proved to be an acceptable and successful method for medium and small pension plan sponsors to participate in real estate equities on a diversified basis. Growing institutional demand looks set to encourage the expansion of this type of investment vehicle in the next few years.

According to Landauer: "Proportionately more investment capital will enter the market in 1983, especially from the life companies and pension funds, but also from foreign institutions and investors. We expect an increase in private and public syndications, reaching large as well as medium-sized properties. Institutions will maintain their criteria on quality. Syndications will be quite as selective but they will carefully avoid marginal situations."

As for the best buys, Landauer goes for office property in those central areas least affected by oversupply but recommends avoidance of most suburban office markets.

Despite the fairly widespread weaknesses now apparent in the industrial market the general view is that good investment opportunities are available and that despite the prospect of a moderate increase in vacancies the well-tenanted planned industrial park remains a superior long-term investment.

In their review of prospects for the U.S. real estate market in 1983 agents Richard Ellis repeatedly emphasise that the health of the economy will determine the scale and speed of the revival in real estate markets and the pace at which investment interest revives.

They point out that, historically, demand for commercial accommodation lags behind general recovery following a recession. This time they suggest the recovery will be seen first in growing demand for retail accommodation as retail sales improve. This should be followed by a gradual revival in the industrial and distribution sector.

But although real estate investment demands should now continue to grow from the modest levels seen in 1982 most observers agree that the true catalyst for more intense activity will be a stronger economy—without a concomitant return to higher inflation.

Michael Cassell

Growing slice of pension funds being invested abroad

THE U.S. pension fund industry is experiencing a period of growth both in its domestic and its overseas operations which offers significant opportunities for overseas fund managers.

In the domestic area, growth in pension monies has been stimulated by the rapid development of individual retirement accounts, widely advertised by the banks, and now often transformed into corporate-sponsored schemes for employees.

In the investment field, the significant development for European and Far Eastern fund managers has been the move by U.S. pension funds to place an increasing percentage of their assets outside the North American continent. This latest flow of funds to non-American stock markets—there have been previous similar flows—began last summer and has gathered pace in the current year.

Overall assets of the U.S. pension industry stand at about $700bn at present, with some $7bn invested abroad at the end of last year, according to Intersec Research, the Stanford-based pension fund research organisation. Only about a quarter of the U.S. funds have so far invested abroad but this percentage is in the process of expanding substantially.

The opportunities in foreign markets, or the advantages of diversifying into foreign countries or currencies, well understood by corporate management, are now applied in the pension field too.

Thus at General Motors, where Mr Roger Smith took over as chairman in 1981 and immediately ordered a thorough overhaul of the investments of GM's $15bn pension fund, the managers say the are actively investing abroad "and have been for the past year."

General Motors is typical of present-day corporate America in according a high priority to pension fund investment. Senior executives are now invariably placed on the boards of company pension funds. Although outside fund managers are usually then chosen to carry out investment policies, they are *always given light* briefs and judged harshly on performance.

Indistinct

Naturally, the reasons for this upsurge in corporate responsibility are not entirely altruistic. Pension fund costs have been rising just as many companies found themselves struggling in the toils of the recession. Some of the worst hit companies have found themselves obliged to make their payments into the fund in the form of their own shares rather than in cash. In theory the fund managers were then free to hold the shares or sell them but the guidelines sometimes became indistinct when the pension fund board included officers of the companv who were, presumably, not hired to depress the share price.

The proportion of U.S. pension fund money invested outside the country will be substantially increased in the near future when American Telephone and Telegraph (AT and T) completes the reshaping of its corporate structure. AT and T must dismantle its $45bn pension fund as part of the agreed restructuring of the entire mammoth communications empire.

The eventual aim is to invest abroad about 5 per cent of that part of the fund which remains with AT and T on divestiture day. While no final figure is yet available, the $1bn set as a short-term target is enough to represent a major proportion of current pension fund investment overseas.

AT and T deals out the in*vestment and management* of its pension funds to about 100 fund managers. This is the customary practice in U.S. industry and it is here that the growth opportunities become apparent.

Only managers registered with the SEC as overseas investment specialists are permitted to solicit for such business inside the U.S. — excluding the banks, which are registered with the Comptroller of the currency. Only 75 names are on the list at present, although the total is likely to rise to 100 over the next 18 months as demand for overseas investment managers increases.

But if demand is to be boosted by operations of the scale of AT and T and General Motors, then a whole army of overseas fund managers will have to be recruited.

SEC requirements are not regarded as particularly onerous, being chiefly concerned with technical details such as arrangements for payment of overseas dividends. But once registered a fund is open to a wide measure of supervision by the SEC.

This prospect may have discouraged funds from registering in the past. Their reticence has in turn fed the view that U.S. managers lack the experience for overseas investment and thus, conversely, that such experience lies largely with the foreign-based banks and fund managers.

True or not, such beliefs are reflected in last year's appointments of managers. Of the 36 new appointments to overseas funds, 14 went to overseas fund managers, while a further four were joint ventures where the practice is for the U.S. side to *handle* the marketing and the foreigners to look after the investment.

Outsiders

The powerful position in the overseas management of U.S. funds currently held by outsiders is dominated by the UK merchant banks, with the Dutch and the Japanese playing a significant but to date lesser role.

The next decade can be expected to bring an upsurge of competition in the field as the major U.S. funds increase their overseas investment and the U.S. managers strive to improve their place *in* the listings.

At present the flow of overseas funds into the U.S. exceeds the outflow, and this may have helped to keep the whole question out of the political arena.

Congress has given some consideration to the question and the Federal Reserve Bank of New York prepared a report on the question two years ago.

But at present there are no legislative hindrances to the entry of overseas managers into this potentially lucrative business area.

Terry Byland